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IMPLEMENTATION OF THE PROMPT PAYMENT ACT

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

IMPLEMENTATION OF THE PROMPT PAYMENT ACT

NORFOLK, VA—DECEMBER 2, 1985

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HEARING DATE

December 2, 1985:
  Morning session 1

IMPLEMENTATION OF THE PROMPT PAYMENT ACT

MONDAY, DECEMBER 2, 1985

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Norfolk, VA

The committee met, pursuant to notice, at 11 a.m., in City Council Chambers, Norfolk, VA, Hon. Paul S. Trible, Jr. (acting chairman of the committee) presiding.

Present: Senator Trible.

Staff present: Robert J. Dotchin, staff director; William B. Montalto, procurement policy counsel; Lori Beth Feld, legislative assistant; and John Miller, press secretary.

STATEMENT OF HON. PAUL S. TRIBLE, JR., A U.S. SENATOR FROM THE STATE OF VIRGINIA, AND ACTING CHAIRMAN, COMMITTEE ON SMALL BUSINESS

Senator TRIBLE. Let's begin.

I want to welcome you to this hearing this morning. I am pleased that we can bring the Senate Small Business Committee to Norfolk.

In 1982 the Congress enacted the Prompt Payment Act to ensure that the Federal Government would pay its bills on time and be required to pay interest when payments were late.

In broad-brush, Federal agencies are given 30 days to pay bills after receipt of a proper invoice or after the date on which an agency accepts property or service, whichever is later. Given the Government's poor bill-paying record in the past, Congress was persuaded to give the Government an additional grace period of 15 days. So, in most transactions, the Government has 45 days in which to pay its bills. If payment is not made within that 45-day period, the Prompt Payment Act requires the payment of interest.

Well, the Prompt Payment Act has improved the Government's performance overall. However, as we will hear today, substantial problems persist. Through bureacratic inefficiency and outright tricks and games, the Prompt Payment Act is being circumvented by many Federal agencies.

Regretably, the U.S. Navy appears to be the worst bill-payer in the U.S. Government. I note that in its vendor payment guide the Navy says, and I quote, "If you have not received payment shortly after the 30 days have elapsed from the acceptance date, don't panic. The check is in the mail."

Well, it's kind of amusing to see the Navy use this old line. The sad truth is that all too often the check is not in the mail, and it's nowhere to be found.

Now, there are many kinds of payment problems, and they will be discussed today by small-business people who are on the job getting results for the Government but who are having a difficult time receiving the prompt payment ensured by the law.

Let me give you an overview of some of the kinds of problems encountered. Agencies often prevent the 30-day payment clock from running by delaying acceptance or invoice certification. All too frequently, invoices are lost by the Government, and contractors are required to make multiple resubmissions.

Once the payment clock begins to run, agencies routinely withhold payments until the grace period. In other words, they wait until the last hour permitted by the statute instead of promptly paying their bills.

Finally, although many months pass before payment is made, agencies refuse to pay interest. Often, agencies take early-payment discounts even though the discount period has long expired.

These activities violate the letter and the spirit of the law and impose a heavy burden on the small-business community which is the foundation of our free-enterprise system and a principal provider of goods and services to the Federal Government.

Today we will hear from a number of witnesses, people doing business with the Federal Government. We will also hear from officials from the Department of the Navy and the General Services Administration.

Our purpose today is to define more precisely the payment problems that do occur, and then the committee will be better able to fashion an appropriate legislative response. It's time to put more teeth into the law so that all Federal agencies will know that they must pay their bills in a timely manner.

[The prepared statement of Senator Trible follows:]

STATEMENT
OF
SENATOR PAUL TRIBLE
ON
PUBLIC LAW 97-177
THE PROMPT PAYMENT ACT OF 1982

GOOD MORNING LADIES AND GENTLEMEN. I AM PLEASED TO BE IN NORFOLK TODAY AND TO CHAIR THIS HEARING OF THE SENATE SMALL BUSINESS COMMITTEE.

IN 1982, THE CONGRESS ENACTED THE PROMPT PAYMENT ACT TO INSURE THAT THE FEDERAL GOVERNMENT WOULD PAY ITS BILLS ON TIME AND BE REQUIRED TO PAY INTEREST WHEN PAYMENTS ARE LATE.

FEDERAL AGENCIES ARE GIVEN 30 DAYS AFTER RECEIPT OF A PROPER INVOICE OR AFTER THE DATE ON WHICH AN AGENCY ACCEPTS PROPERTY OR SERVICE -- WHICHEVER IS LATER.

GIVEN THE GOVERNMENTS POOR BILL-PAYING RECORD PRIOR TO THE ACT, OMB CONVINCED THE CONGRESS TO PROVIDE AN ADDITIONAL GRACE PERIOD OF 15 DAYS.

SO IN MOST TRANSACTIONS, THE GOVERNMENT HAS, UNDER THE LAW, 45 DAYS TO PAY ITS BILLS. IF PAYMENT IS NOT MADE WITH 45 DAYS, THE PROMPT PAYMENT ACT REQUIRES THE PAYMENT OF INTEREST.

THE PROMPT PAYMENT ACT HAS IMPROVED THE GOVERNMENT PERFORMANCE OVERALL. HOWEVER, AS WE WILL HEAR TODAY, SUBSTANTIAL PROBLEMS REMAIN. THROUGH BUREAUCRATIC INEFFICIENCY AND OUTRIGHT TRICKS AND GAMES, THE PROMPT PAYMENT LAW IS BEING CIRCUMVENTED BY MANY FEDERAL AGENCIES.

THE U.S. NAVY APPEARS TO BE THE WORST BILL-PAYER IN THE U.S. GOVERNMENT IN ITS VENDOR PAYMENT GUIDE, THE NAVY SAYS "IF YOU HAVE NOT RECEIVED PAYMENT SHORTLY AFTER THE 30 DAYS HAVE ELAPSED FROM THE ACCEPTANCE DATE, DON'T PANIC. THE CHECK IS IN THE MAIL".

IT'S AMUSING TO HEAR THE NAVY USE THIS OLD LINE, THE SAD TRUTH IS THAT ALL TOO OFTEN, THE CHECK IS NOT IN THE MAIL -- IT IS NOWHERE TO BE SEEN.

MANY KINDS OF PAYMENT PROBLEMS WILL BE DISCUSSED TODAY.

AGENCIES OFTEN PREVENT THE 30 DAY PAYMENT CLOCK FROM RUNNING BY DELAYING ACCEPTANCE OR INVOICE CERTIFICATION. ALL TOO FREQUENTLY, INVOICES ARE "LOST" BY THE GOVERNMENT AND CONTRACTORS ARE REQUIRED TO MAKE MULTIPLE SUBMISSIONS.

ONCE THE PAYMENT CLOCK BEGINS TO RUN, AGENCIES ROUTINELY WITHHOLD PAYMENTS UNTIL THE GRACE PERIOD. IN OTHER WORDS, THE WAIT UNTIL THE LAST HOUR PERMITTED BY STATUTE, INSTEAD OF PROMPTLY PAYING THEIR BILLS.

FINALLY, ALTHOUGH OFTEN MANY MONTHS PASS BEFORE PAYMENT, AGENCIES REFUSE TO PAY INTEREST -- OFTEN AGENCIES TAKE EARLY PAYMENT DISCOUNTS, EVEN THOUGH THE DISCOUNT PERIOD HAS LONG EXPIRED.

THESE ACTIVITIES VIOLATE THE LETTER AND/OR SPIRIT OF THE LAW AND IMPOSE A HEAVY BURDEN ON THE SMALL BUSINESS COMMUNITY WHICH IS THE FOUNDATION OF OUR FREE ENTERPRISE SYSTEM AND A PRINCIPAL PROVIDER OF GOODS AND SERVICES TO THE FEDERAL GOVERNMENT.

TODAY, I AM PLEASED TO WELCOME A NUMBER OF SMALL BUSINESS PEOPLE WHO DO BUSINESS WITH THE FEDERAL GOVERNMENT. WE WILL ALSO HEAR FROM OFFICIALS OF THE DEPARTMENT OF THE NAVY AND THE GENERAL SERVICES ADMINISTRATION.

OUR PURPOSE TODAY IS TO DEFINE MORE PRECISELY THE PAYMENT PROBLEMS THAT OCCUR AND THEN THIS COMMITTEE WILL BE BETTER ABLE TO FASHION AN APPROPRIATE LEGISLATIVE RESPONSE.

IT'S TIME TO PUT MORE TEETH INTO THE BITE SO THAT ALL FEDERAL AGENCIES WILL KNOW THAT THEY MUST PAY THEIR BILLS IN A TIMELY MANNER.

Senator **Trible**. I want to thank our witnesses for their testimony today. We will first turn to Mr. Pattie, who is accompanied by Mr. Hudgins and Mr. Hoey.

Now, Mr. Pattie, I have read your statement. It's a good one. It extends for about 20 pages. I would prefer that you summarize your statement, if you will. Your entire statement will be made a part of the record at this point.

It is a good statement. In detail it sets forth the kinds of problems that small-business people are encountering with the Federal Government. Also, you put forward a number of suggested changes to put more teeth into the law to ensure that payments are made more promptly. For that I am most grateful.

I would invite all the witnesses here today to not only underscore their frustrations at the problems that they may be encountering or, on the Government side, the initiatives underway to ensure that the process works more effectively and efficiently.

But also, I would ask all the witnesses to put forward for us today some good suggestions as to how we can do a better job and how we can help the Federal bureaucracy improve the job that it's doing—sometimes under very difficult circumstances—and at the same time make life less complicated for the private sector on which the Government and the taxpayers must depend for the lion's share of goods and services.

Let me give these gentlemen a proper introduction. Kenton Pattie represents the Prompt Payment Coalition and the Coalition for Common Sense in Government Procurement. He will provide us today with a general assessment of the prompt payment problems that his constituency is encountering.

With him on the panel is Lester Hudgins, an old friend of mine from Newport News. He is the president of Hudgins Construction, but he is also here today not only as someone who does business with the Federal Government but in his capacity as the president of the Associated General Contractors of Virginia.

Then, Mr. Hoey, you were on one of my panels. You are on panel No. 2.

Mr. **Hoey**. I was told No. 1, that's why I seated myself.

Senator **Trible**. Well, this is actually panel No. 3. [Laughter.]

Mr. **Hoey**. Oh. I beg your pardon.

Senator **Trible**. Or panel No. 4. So why don't you just retire and——

Mr. **Hoey**. I will be happy to.

Senator **Trible**. Not very far. I don't want you to leave. I would invite you to stay.

Mr. **Hoey**. All right.

Senator **Trible**. We will move on to you as promptly as we can. But we thank you very much for being here.

We thank everyone for joining us.

Mr. Pattie, please begin.

STATEMENT OF KENTON PATTIE, SENIOR STAFF VICE PRESIDENT, INTERNATIONAL COMMUNICATIONS INDUSTRIES ASSOCIATION, FAIRFAX, VA

Mr. PATTIE. Thank you very much, Senator. It's an honor to be here. And I note that as a member of the Small Business Committee, this was the committee where the Prompt Payment Act really was born. It was Senator Weicker who began working on it with Senator Danforth. And I know that when it got over in the House when you were a Member of the House, you were active in working on the Prompt Payment Act in the House. So we are very honored, all of us in the business community, coming before this committee because you have had such a major role in initiating this act.

Senator TRIBLE. You are getting off to a good start, Mr. Pattie. Thank you for those kind words.

Mr. PATTIE. I think it was very unfortunate that we had to come to the Congress in the first place to seek a solution to this problem because many of us felt at the time that it really should have been resolved administratively. And we tried to—we hoped to—resolve it in that way, and unfortunately, we had to come to Congress because some of the agencies were not responsive to the requests, suggestions, and recommendations that we had made.

Since the passage of the act, I have had the privilege of speaking in a number of places around the country, and many business people have told me that they have seen improvement; there has definitely been some improvement since the act. And for that we are very grateful. I think it's evidence that Congress can enact legislation that can be effective and can get things done when it's necessary.

The problems that we have had are very much as you have stated in your opening statement, which was a very fine statement. The problems relate to the interpretation by the agencies of the act and the fulfillment of the intent of the act by the agencies.

I can't say that all agencies are experiencing problems and delays. But many of the agencies are. We have definitely had some problems concerning many of the agencies.

The agency that I receive personally the most complaints about has been the U.S. Navy, and I know we're going to receive additional testimony concerning the Navy later on.

In the area of summarizing the suggestions and recommendations that I have, the act provides for a 30-day standard and then gives an additional 15-day grace period in which the Government has to fulfill its requirement to make the payment. During that additional 15 days no interest shall accrue if the payment is made within that 15 days. So the Government really has 45 days in which to send out payments.

This was done at the request of the Defense Department in fear that they might not be able to get all of their bills paid within the 30-day standard. Frankly, the 30-day standard is the most common industrial standard. In fact, a number of industries have standards under 30 days. We petitioned the Congress for the 30 days originally. The Senate bill had 30 days in it, and it was a concession to the Defense Department that the additional 15 days was inserted.

I feel that after 3 years of experience with the act and with Office of Management and Budget reporting that 99 percent of the Federal Government's bills are being paid on time, that the additional 15 days is no longer necessary.

[The prepared statement of Mr. Pattie follows:]

THE PROMPT PAYMENT ACT:
NAVY & OTHER AGENCIES SHOULD PAY FASTER

by
Kenton Pattie
Director of Coalition for State Prompt Pay
& Senior Staff Vice President of the
International Communications Industries Association

Statement to:

Senate Committee on Small Business

Hearing of December 2, 1985
Chaired by Senator Paul Trible
Norfolk, VA

3150 Spring Street
Fairfax, VA 22031-2399
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STATEMENT BY
KENTON PATTIE
DIRECTOR, COALITION FOR STATE PROMPT PAY
AND SENIOR STAFF VICE PRESIDENT OF THE
INTERNATIONAL COMMUNICATIONS INDUSTRIES ASSOCIATION

Senator Trible:

We are most grateful to you for your leadership in calling this hearing and for inviting the business community and government agencies to testify. When you were in the House, Senator, you were one of the Members who supported the Prompt Payment Act of 1982. It was due to your concern and the efforts of those who believe as you do that this Act was passed.

At that time, I was Director of the Slow Pay Coalition, an organization of 42 trade associations united to get government agencies to pay their bills on time. Following passage of the Act, we formed the Coalition for State Prompt Pay and since that time have been lobbying state legislatures for laws like the Federal act. So far, 41 states plus the District of Columbia have adopted prompt pay statutes, each requiring interest penalties be paid on overdue accounts. For example, the Virginia General Assembly passed its first prompt pay law in 1984 and in 1985 added new provisions to make it stronger.

Today, in addition to representing the Coalition for State Prompt Pay, I am representing the International Communications Industries Association, a trade association of 900 computer, video and audio-visual firms, and the Coalition for Common Sense in Government Procurement, a group of 100 firms and trade associations committed to improving the multiple awards system in which government agencies buy off-the-shelf products.

It is particularly fitting that the first Senate hearing on this subject since passage of the Act is being held before the Senate Small Business Committee. For it was in this committee, under the leadership of Chairman Lowell Weicker, that the Senate drive for a prompt payment law began. Senator Weicker and Senator John Danforth joined forces with many other members in a bipartisan campaign to win passage for the new law.

The hearing today is very correctly focusing on the problems many small firms are having. However, I want to report that there has been some general improvement in payments by Federal agencies since 1982. I have spoken on this subject before many business groups in the intervening years and the audiences have consistently said that they have seen improvement. Many businesspeople say they are receiving interest payments when the government is late, in contrast to the "we don't pay interest penalties" policy the government followed before passage of the Act.

We are particularly fortunate that the Reagan Administration has enthusiastically welcomed the Act as a method of saving the government money and as a way to bring more efficiency and less paperwork to Federal activities. We have been generally pleased with the annual report of the Office of Management and Budget (OMB) in that it gives an opportunity for Congress, trade associations, the news media, and the public to see what is happening as a result of the Act. However, there are two problems with the OMB report we would like to bring to the attention of the Committee:

A. The OMB report does not provide any measure of unpaid invoices for which the 30-day clock has not begun to run. By reading this report, you cannot find out how many unpaid bills are languishing for months before being forwarded to the payment office for issuance of a check.

B. The OMB report gives statistics only by department and thus does not identify specific agencies within each department where there are late payment problems. For example, OMB reports a single set of figures for the Defense Department, rather than breaking down Defense into Army, Navy, Air Force and Marines. As a result, the Navy's problems are buried under "Defense". Only by asking OMB can you find out that most of the "Defense" late payments are incurred by the Navy.

Therefore, we recommend that the OMB annual prompt pay report publish figures for departments and for major agencies within departments. In particular, the Defense figures should be broken down by service so that we can monitor those which are paying late when spending the largest portion of our Federal budget.

With respect to the Act itself, Senator, here are some of the key problem areas which we feel should be addressed by the Senate in 1986:

A. The 45-day standard. After three years, the 15 days of extra grace leading to a 45-day standard, should be abolished.

The Senate version of the Act (then called the Delinquent Payments Act) would have established a 30-day standard. It had no extra 15-day grace period. It was in the House that the 15 days were added. This 15-day period was added at the request of the Defense Department because they feared they would be late on many payments and that they could not adhere to the 30-day standard successfully. Now, the OMB report proves that most payment offices, with the exception of the Navy's, can meet the 30-day standard. So the extra 15 days is no longer necessary.

What I am particularly concerned about is the growing number of reports I receive indicating that some agencies are now shooting for the 45th day to issue checks rather than the 30th day.

A company with dozens of contracts with the Defense agencies recently showed me a lengthy computer printout of their current payment experience. I was shocked to see that the majority of payments they receive arrive in the 45-49 day bracket. This was not isolated to one agency or one payment center, but was a general pattern throughout the Defense Department.

I wish I could have talked the company into sharing their data with this Committee. I tried. But, Senator, they felt nervous about exposing themselves to possible recriminations by the Defense agencies which are their customers.

However, this data told me that one of the things we feared most about the extra 15 days is coming to pass: that some payment centers are actually gearing their payments to the 45-day standard rather than to the 30-day standard set by the Act.

I want to point out that OMB tried to prevent this happening with specific wording in OMB Circular A-125. However, I feel neither the Circular nor the Act is working to hold the line at 30 days.

While the casual observer may feel that there is not much difference between 30 and 45 days, it actually represents millions of dollars of costs to thousands of small firms which are being forced to lend the government interest free money for an extra 15 days--15 days more than the Prompt Payment Act intended...and 15 days more than the Senate authors of this law ever intended.

Frankly, I think the extra 15 days the Act gave the government is no longer necessary. They have had plenty of time to get their payment practices streamlined. They should be able to meet the 30-day standard in 1986. After all, it is the most common standard in American business. It is being met by thousands of small firms when they make their payments to their vendors. Why can't the U.S. Government do the same? We have had a three year period in which to phase in the 30 days, now we should insist on it.

Already, Virginia has reduced its extra 15-day period down to 7 days. And New York is in its second year of phasing in the 30-day standard. Under the New York law they will reach 30 days by 1988. Many other states have gone directly to 30 days without experiencing the trouble the Defense Department was predicting back in 1982. Unfortunately, some state governments have followed in the Federal government's footsteps and have also adopted a 15-day "grace" period beyond the 30 days. This is not surprising in that many of the state laws are modeled after the Federal Act. Thus, the 15 days in the Prompt Payment Act of 1982 has been like a shadow over every bill we've tried to lobby at the state level. I feel confident that if the Congress removes the 15-day period for Federal agencies, many states will quickly follow suit for state agencies.

Therefore, Senator, the impact of what this Committee recommends should make a major contribution to better cash flow for small businesses in every state, whether or not they sell to Federal agencies.

B. Partial payments for partial deliveries. While the Act made it clear that partial payment is authorized for completed partial deliveries, we continue to get reports from companies saying that agencies are not complying with this provision.

More vigorous compliance by the agencies is needed. If an agency receives something it can use, it should pay for it. In the case of perishable food, for example, the food is being consumed while agencies hold up payment until every item on a long purchase order is delivered.

One firm told me recently that the Navy will only contract with them if they will agree to submit monthly statements. What this means is that some partial payments are stretched well beyond 30 days before the bill is submitted by the vendor. This is a clear attempt at getting around the partial payment provision in the Act.

C. Progress payments. While a progress payment is virtually the same as a partial payment for a partial delivery, some agencies have adopted the position that the Act does not apply to progress payments. The Navy is one of those agencies. These payments are made by agencies to firms for achieving specific milestones along the way toward a completed job.

The Act never exempted progress payments. When OMB proposed removing progress payments from prompt payment coverage in the first draft of A-125, industry objected. OMB revised the Circular to allow prompt payment and interest penalties on progress payments. However, agencies have ignored the Act and the Circular on this point much to the frustration of the construction industry.

Under a progress payment, once agreement is reached by both parties as to the amount of the payment, there should be no more than 30 days from that date in which the agency has to issue the payment. After that, interest should accrue.

We feel that the only way to resolve this problem is for the statute to be amended by specific language ensuring that progress payments are given the 30-day standard and are subject to interest penalties.

D. Notification within 15 days of receipt of an improper invoice. While the law requires an agency to notify a vendor on receipt of an invoice which cannot be paid within the 30-day standard, many agencies do not comply. Some never notify vendors. Others wait until 30 days has gone by. Therefore, we still have companies finding out many months later that their repeated billings are not being paid because of a problem in their invoice or a shortage in the goods delivered.

The reason the 15-day notification period was put in the Act was to give the vendor ample notice that a problem had arisen. It was also put there to ensure that the government agency examines every invoice before the 15th day. We felt that if they began processing invoices by the 15th day there would be a good chance that all proper invoices would be paid by the 30th day.

On March 27, 1985, the U.S. Navy Contracting Officer at the Naval Weapons Support Center in Crane, Indiana, Steve Petit ordered by telephone from International Audio Visual Ltd., New Westminster, B.C., 350 tape decks at a unit price of $95.00 for a total of $33,250.00. Documents were received by the contractor on April 12, 1985. Shipment was made via Federal Express on May 10, 1985. All were received by Navy at Crane, Indiana, and accepted by them within a week or 10 days.

The purchase order specified the payment office as DCASR Los Angeles and the contractor complied by sending invoices to Los Angeles on May 10.

Approximately 4 weeks later, the contractor was informed by the Navy that the paperwork was being transferred to Cleveland. It then took an additional 6 weeks to get a release from the Los Angeles office that the bill had not been paid.

Following all these delays, the Navy finally issued a check for $32,585 on August 29, 1985. The Navy took the 2% discount the contractor had offered for early payment within 10 days even though payment was made more than 100 days after receipt of invoice.

The Navy's justification for this delay was that the company requested payment be made to its office in Blaine, WA while the manufacturer is in fact licensed in Canada. Captain Eugene Harshbarger, Office of the Comptroller, USN told a recent conference set up by the Coalition for Common Sense in Government Procurement that the Navy's computer rejects invoices if the company uses two addresses.

We do not understand how the Navy can arbitrarily reject a valid invoice if it has been filed in accord with Navy specifications--in this case, the manufacturer followed instructions exactly as printed on the form. In fact, the Navy proceeded to do exactly what they had forbidden their contractor to do: The Navy transferred the paying function to another location whereas the company was forbidden from transferring the payment to its office in Washington. This is bureaucratic nonsense at its worst.

If the Act had been followed, the vendor would have been notified by the Navy within 15 days of May 10 and a satisfactory solution should have been promptly worked out on the phone. Navy's ineptitude and inflexibility matched their insensitivity to the Act.

E. Long delays in processing invoices. Among the business audiences I have addressed, the number-one complaint has been "the long time they take before the finance center begins counting the 30 days".

This problem has several aspects:

1. Receiving. While OMB admonishes the agencies to process receiving reports rapidly and advance them to the finance office within several days of delivery, often receiving reports are not sent to the finance office. Receiving reports are essential ingredients to a proper invoice. But a late receiving report can be the key element to a late payment.

   We have received numerous examples of this.

   L and M Productions of Cleveland, Ohio, reported to us in July, 1985 that they had not yet received payment of $11,000 owed by the U.S. Army Reserve Center in St. Louis, MO for services performed on October 10-14, 1984. The company issued an invoice for this amount on November 30, 1984 which the Army Reserve received on

December 5, 1984. The reason the bill languished unpaid for over six months? It appears that receiving reports and other paperwork had not been completed by the Army.

NALPAK Video Sales shipped $178 worth of equipment in May, 1985 to the U.S. Coast Guard via United Parcel Service. However, the Coast Guard claims they didn't receive it until August 10, 1985. Even though the problem appeared to be a late receiving report issued by someone in the Coast Guard, the Coast Guard refused to pay interest on the balance due.

Dwyer Associates of Arlington, VA reported to us on September 16, 1985 that an invoice for $2,518 was sent to the U.S. Customs Service on July 17, 1985. But after two months the company had received no payment and no 15-day notification of any irregularities in its invoice. Again, the culprit is probably a long overdue receiving report which the receiving agency failed to forward to the payment office.

ii. Acceptance and certification. Normally, in private commerce, the 30-day grace period for payment allows ample time for a firm to determine if the product delivered or service completed is acceptable.

No additional time is needed. But government agencies, the Navy in particular, consume unnecessarily long periods of time in "accepting" products and services.

In many cases, payment on normal every-day, off-the-shelf products is held up while a government employee executes an acceptance document.

Like the receiving report problem, the acceptance and certification problem is not adequately addressed in the Act.

Therefore, we recommend that the Act be amended to state that the Congress expects receiving, acceptance and certification to be completed within the 30-day standard unless otherwise specifically agreed to by both parties in the contract. Or, if necessary, divide the 30 days into two separate time limits: 15 days to

> accept and certify; and 15 days to process payment. This procedure has been used successfully by several states.

The following illustrates this problem and demonstrates that even Navy personnel are aware of the problem but feel "their hands are tied".

On August 20, 1984, the Naval Surface Weapons Center issued order number N60921-84-F-B226 to Kalart Victor Corporation, Plainville, CT. On September 28, 1984, Kalart Victor Corporation shipped via United Parcel Service the equipment which was received in the first week of October, 1984 in Moorestown, NJ, to be used at an AEGIS CSED site. Having received no payment within the requirements of the Prompt Payment Act, the company inquired. They were told that the AEGIS site had never received the merchandise. However, when the company produced documentation from UPS showing that the equipment was received, the Navy verified over the phone that they had in fact received the equipment.

Over the ensuing months, the company continued to seek payment. They made many phone calls and sent several certified letters. They never received a single letter in response. Company President Leonard Quartin estimates that they have spent hundreds of dollars trying to get paid. The total amount of the bill is only $1,155.40 plus the interest penalty as prescribed by the Prompt Payment Act.

On April 17, 1985, I was asked to help. The commanding officer of one Naval finance center told me, "I'm not surprised this happened. My hands are tied until our people send me a form certifying that the product has been received. Sometimes they just arbitrarily sign an acceptance form in December even though they received it in June. Then in December I can't pay the bill for another 25 days because we start counting from the date of certification. And in that instance we wouldn't pay any interest because the check would be issued within 45 days of certification. I know they ought to get interest, but my hands are really tied."

Another Naval finance center comptroller told me that mistakes like this happen because they handle such a large volume of transactions. He said they have to collect at least three different forms to enable any payment to be made. Sometimes, he said, they don't get all the forms together until the payment is long overdue.

iii. Finance delay. Companies report that when receiving and acceptance has consumed months after delivery, finance offices continue to take an additional 30 days before initiating payment.

This is illustrated in the example above in which Navy officials claim their "hands are tied".

Through an amendment to the Act, we recommend that their hands are untied. The Act should state clearly that all receiving and acceptance is to be done within 30 days of receipt of the invoice or completion of the work or delivery and that any payment issued after those 30 days is subject to the interest penalty. Or, two separate time limits should be established: 15 days to receive, accept and certify; and 15 days to issue payment.

iv. Finance abuse of the Act. Some finance offices even take early payment discounts which are offered by a vendor even though the discount period has expired. Look what the Navy did to International Audio Visual. And they refused to pay interest even though months have gone by since delivery. Look at how the Coast Guard treated NALPAK Video Sales in my earlier example--no interest was paid even though interest was obviously owed under the intent of the Act. And look at Kalart Victor, the Connecticut firm that was denied interest by the Navy even though the payment was many months overdue.

They justify this by saying that they began the count of days when the finance office put all the paper together. Even though this might be months after the job was completed, the finance office hides behind what they believe to be a loophole in the Act to justify what they do.

With respect to the discount problem, this is a clear violation of the Act which specifically prohibits the taking of a discount after the discount period has expired. Such discounts are offered by companies to give the agency an incentive to pay earlier than 30 days after completion of the work. However, if the agency takes several months before processing the paperwork, the agency has lost the privilege of the discount.

Frankly, it is this abuse that has discouraged a lot of companies from offering early payment discounts. Thus, the government is losing millions of dollars worth of discounts because it is not adhering to the normal commercial standard for responding to discount offers. While the Act intended for the government to try to take more discounts, late pay by the agencies is encouraging companies to offer fewer discounts.

F. Terms of the contract. Agencies are unilaterally refusing to adhere to terms of contracts offered by companies which have commercial policies requiring payment in less than 30 days. Agencies tell these companies that 30 days is the standard. Agencies refuse to negotiate "terms" of less than 30 days, even though the Act clearly allows this.

Obviously, we don't want agencies insisting on vendors adhering to terms which are longer than 30 days. However, we concede that there may be some special circumstances in which more than 30 days may be needed before a government unique product can be accepted.

But for everyday, off-the-shelf products that have a short shelf life--such as dairy food, frozen food and other perishable items--the government should be willing to adhere to the commercial standard rather than insist on the 30-day standard.

To resolve this problem, we recommend that OMB be authorized to publish payment standards for each industry with a common payment practice of under 30 days. These standards can be established by OMB working through trade associations and by gathering evidence from common commercial customers.

Such standards must be set solely on the basis of commercial practice and must not be allowed to be influenced by political considerations.

Normally, I would be strongly against government regulation of this sort. But, now I've seen the Act in place for 3 years, I feel the OMB standard system is the only practical method of forcing agencies to adhere to commercial payment standards.

The only other way is for the industries to come to Congress and have specific amendments to the Prompt Payment Act adopted to allow specific payment standards just as we have for meat, fresh fruits and vegetables. I am reluctant to suggest to this committee that we get in the business of legislating such standards unless the Executive Branch is entirely inflexible on the subject.

Of course, for all of us who shudder at the thought of government intervention in the payment standards business, the ideal solution is for the agencies to simply agree to the terms commonly offered by a company to all its other customers. It seems so simple. If a company has common terms of net 10 days, why does the government refuse to go along?

G. Resubmission of vendor's invoice. Far too often I hear the complaint that "they asked me to resubmit the invoice because they had no record of receiving the bill." This ought to be rare. But it is common practice. What adds to the irritation companies experience is that when an invoice is resubmitted, the agency will begin the 30-day clock ticking on receipt of the second or third invoice. In this way, the agency can string out payment over several submissions and many months...and still escape the interest penalty.

This is a clear violation of the intent of the Act. While it is a disgusting practice, there is no penalty called for by the Act.

On the one hand, I recommend that companies deliver their invoices in a certified envelope so they get a signature as proof of receipt. But, on the other hand, that is an entirely impractical suggestion for most vendors.

H. Failure to use the best technology for ok'ing payments. The Navy insists that when a ship needs a spare part the ship "transmits" the need directly to their procurement office for immediate action.

> But, when it comes to paying for the item, the Navy refuses to "transmit" the ok for payment. Instead, the official paper which originates on board ship must be sent to the finance center before any payment processing can begin.
>
> Here is an agency ordering with the latest technology in global communications but continuing to rely on paper for the payment process. Is it so unreasonable to argue that the vendor needs payment just as urgently as the ship needs the part? Why is there a double standard in which the Navy says on the one hand "rush the order" but on the other hand says "Sorry, you'll just have to wait until the paperwork gets back to the States."?

The U.S. Treasury

Senator Trible, beyond the Prompt Payment Act of 1982, I believe there is another step that can be taken by the Federal government that will help small firms get paid promptly.

Today, the Treasury Department will issue payments of $25,000 and over directly to a company's bank. This is the Treasury's initial entry into the wire transfer business. It is a modest beginning. Obviously judging by the size of the minimum payment, no small firms benefit. Now that Treasury has had its system in operation for over a year, I think it is time for Treasury to consider reducing the minimum from $25,000 to $2,500. This would result in thousands of payments being issued automatically on a certain date and transmitted instantaneously into the bank accounts of vendors.

This is no panacea for late pay. But, it is one way in which today's technology can be applied by the government to speed up payments. I know a lot of small firms would be grateful for a fool-proof, error-free system that makes regular payments that are predictably on time.

The U.S. Navy

Senator I know that the purpose of today's hearing is not to single out any one agency but rather to focus on solutions wherever possible. However, I want to express the frustration we have had over the years in dealing with the Navy.

During the period the Prompt Payment Act was being written in Congress, a lot of available evidence indicated that people selling to the Navy were having problems getting paid on time. By the winter of 1983-84, it appeared that very little progress had been made by the Navy toward resolving the problem. So, a House hearing was conducted in Portsmouth, VA by Representative Norman Sisisky. Following that hearing the Navy promised to make several improvements. However, reports concerning problems persisted. The annual OMB reports of 1984 and 1985 showed that Defense was the agency most likely to pay late and, when asked, OMB would say that the Navy accounted for most of the late payments by Defense.

So, in the spring of 1985, reports of problems with the Navy reached the Senate Appropriations Committee. In the Senate Report on the Defense Appropriations Supplemental (H.R. 2577) the Committee said the following:

> "Prompt Payment Act compliance--The Committee has received complaints from small businesses that the Department of the Navy is often late paying bills. Further, the businesses report that in many instances the Navy does not tender late payment interest penalties which are required by the Prompt Payment Act (Public Law 97-177).
>
> The Committee urges the Secretary of the Navy to implement regulations which ensure that proper invoices are paid within 30 days of delivery, upon completion of work, or upon receipt

> of invoices, whichever is later. The regulations should be designed to eliminate excessive paperwork and delays which appear to be creating unnecessary hardships for small businesses with limited capital."

Shortly after publication of that report, I sent a copy to the Office of Management and Budget which, I am certain, relayed the information to the appropriate Navy personnel. Then, in August, 1985, the issue of late pay by the Navy was again raised, this time at the Virginia White House Conference on Small Business, held at the Richmond Hyatt. The issue of late pay was incorporated into the conference resolutions that will be considered in August of 1986 when delegates from all the states assemble in Washington D.C.

In October, as a member of the Board of the Coalition for Common Sense in Government Procurement, I attended a briefing by the Navy, conducted by Captain Eugene Harshbarger. At the briefing he maintained that the Navy is unlike any other agency because it is so decentralized. He maintained that the Prompt Payment Act does not apply to progress payments or utility bills--something which cannot be supported by the Act or OMB Circular A-125. He said the Navy had had only four months "to get ready" for the effective date of the Act. In truth, many agencies had begun preparing for the Act long before passage in that it was clear to everyone that the Act was on its way. As an example of this, the Internal Revenue Service called me (before the Act was passed) and asked if we could meet with their top finance office people so they could get prepared for eventual passage of the Act. Other agencies did the same. What was the Navy doing while Congress was working on the Prompt Payment Act?

Captain Harshbarger said that while the Navy "transmits to the contracting office" its procurement needs, the rest of the procurement and payment process is done by paper. "There is a lot of paper flowing around our system," he said. "So there is a lot of opportunity for problems to be introduced."

He said they had formed a Task Force to study the payment problems. However, he said the Task Force "may lead to nothing." He said the Navy is evaluating the Commanding Officers on the basis of the compliance their unit has to the Prompt Payment Act. If that were really happening at this time, I imagine a lot of CO's would be getting less than satisfactory evaluations.

He said they have an "automated tracking system." However, whenever I ask a Navy Finance Center about a particular late payment it often takes many days before anyone gets back to me with an answer. In fact, the Navy's Vendor Payment Guide promises a "24 hours per day, seven-days-a-week" system to answer inquiries about late payments. But later in the Guide it says "Every effort is made to respond to both written and telephone inquiries within five business days from receipt of that inquiry." In fact, with an automated system, it should be possible for an operator to display on a computer monitor all data concerning any outstanding payment. In the age of computers it certainly shouldn't take five days to answer the simple question "What's the status of my invoice?"

He said that the original and three copies of the invoice have to be sent to the activity which receives the goods and services. In this way, the finance office has no record of the payment due. So, if you call up and the invoice is still languishing in the receiving agency, the automated system will tell you nothing.

Why not have all invoices sent to the finance center where payment will be made and make it the responsibility of the finance center to hustle the receiving activity into responding within 30 days? Otherwise, we have a catch-22 situation:

0 The late payment is not the fault of the finance office because they haven't even received the invoice yet.

0 The late payment is not the fault of the receiving office because they don't pay the bills, just process paper.

No one is taking responsibility for it in the Navy.

He advised companies to not write their U.S. Representative or U.S. Senator because he said the letter is routed to him via the Office of Congressional Affairs (DoD) to the Secretary of the Navy and then to Office of Navy Comptroller. He prefers that complaints be sent to him directly. Unfortunately, my experience is that the Office of Navy Comptroller often does not have any information about a particular late payment. They can only do what a company executive can do: get on thephone and call the procurement office, the receiving office and the finance office. I do give them credit for being willing to accept calls and I believe Vice Admiral Phillips and Captain Harshbarger are sincere in trying to follow through.

But, the Navy has taken altogether too long to come to grips with this problem. Rather than work the Prompt Payment Act into their complicated paperwork maze, instead they must attack their paperwork maze. They need to streamline their system to cut some of the paperwork steps. Further, they need to establish a policy of immediate handling for all receiving reports. No more delays. Finally, they need to adhere to strrict time deadlines for processing payment approvals. Essentially, for off-the-shelf products, the receiving report should suffice. There is no need for any further paperwork.

If they ordered five boxes of typing paper, the receiving person should be perfectly capable of certifying that the boxes arrived. No further paperwork is necessary.

We recommend that all invoices be sent directly to the finance office which would have the responsibility of marshalling prompt response. In this way, when OMB surveys the Navy each fall, Navy will be in a position to say how many invoices are suspended in the non-payment category due to failure by receiving agencies to forward receiving reports.

For off-the-shelf items and for minor repairs and remodeling, the Navy should adhere to a strict 30-day standard: 30 days from the end of the work or delivery of the service to the issuance of the payment. Why should it take even a day longer? Once this internal standard is adopted, it would be the responsibility of the finance office to cut through the red tape to ensure that the payment is made. Without giving this responsibility to the finance office, we have an impossible finger-pointing, shoulder-shrugging system in which no one is at fault and at the same time no one has the ultimate responsibility.

The Navy has had plenty of signals. They have had plenty of time to get the job done. Their excuses are sounding weaker and weaker. I hope this is the last Congressional hearing at which industry is forced to discuss the Navy's late payment problems. Vice Admiral Phillips told me he hates for the Navy to be known as the worst bill payer in the United States government. I hope they will see this hearing as an opportunity to make a new start at solving this old problem.

Senator, the Navy has published a 10-page guide to help companies seeking payment. Titled Vendor Payment Guide (Navy Regional Finance Center, Washington, D.C.), this publication carries the following:

> "If you have not received payment shortly after the 30 days have elapsed from the acceptance date (or any other agreed upon timeframe), don't panic. The check is probably in the mail."

While it is amusing to see the Navy use the time-honored "check is in the mail" approach, the problem we have is that often it is not in the mail. It is nowhere to be found. And far too much energy is expended in finding out what is wrong and what has to be done to get it fixed.

Conclusion

Senator Trible, I want to express the appreciation of all of us for your willingness to hold these hearings today. You are making an important contribution in an area of conflict both industry and government want eliminated. For our part we pledge to work with the Senate Small Business Committee and the Senate Governmental Affairs Committee in pursuit of reasonable and practical solutions to the problems discussed here in Norfolk today.

Senator **Trible**. Has it been the experience of your group, the people that are a part of your coalition, that many agencies are waiting until the grace period to pay, that it seems to be a consistent policy that they don't pay in that first 30 days but, rather, wait for that 15-day period that follows?

Mr. **Pattie**. The fear that we had originally was that this might happen. And I saw some statistics a couple of weeks ago that told me that a number of the payments are. Whether it's intentional or it's just the freedom to be able to do this, it's resulting in 45 days, that a number of the payments are coming in the 45-to-49-day bracket.

This distressed me a great deal because I know that even OMB, in their Circular A-125 supporting the intent of Congress, centered on the 30-day standard and was insisting on agencies' paying on or about the 30th day.

Senator **Trible**. Now, you indicate that you believe that the 15-day grace period ought to be eliminated.

Mr. **Pattie**. Right.

Senator **Trible**. The argument that the Government needed this grace period to kind of get its act together no longer has the persuasion that it once did, since we've operated under this law now since 1982.

I note that a number of States have mirrored the Federal law in enacting their own statutes, but many have narrowed the grace period or eliminated the grace period. In fact, Virginia is one of those States.

Mr. **Pattie**. That's true. Virginia started with the 15 days, and now they've gone down to 7 days, and I am certain that we will eventually eliminate that 7 days.

Senator **Trible**. So it could be eliminated overnight or it could be simply phased out over a period of time.

Mr. **Pattie**. Right.

Senator **Trible**. Please. Senators have a way of interrupting. I am sorry but——

Mr. **Pattie**. Certainly, I am delighted to have your questions, Senator.

The Congress also in the Prompt Payment Act provided for partial payment on partial delivery. Unfortunately, a number of agencies are not complying with the intent of this. We are finding that some partial payments are not being made. The agency is holding out until the entire purchase order, which may have as many as 20 or 30 different items on it, is fulfilled before they make any kind of payment. We feel that the agency should be pressed to be more aggressive in enforcing the partial payment provision.

You will hear from the construction industry that they have completely missed the boat in interpreting this because OMB and a number of the agencies have left out coverage for progress payments under this provision in the act.

We recommend, as you will hear other witnesses state, that progress payments—which is a special type of payment, but nevertheless it's a payment for a partial delivery or partial completion—be covered by the act and that interest penalties accrue accordingly.

Senator **Trible**. Now, do I recall that you stated in your testimony that the Navy Department is one of those agencies that refuses to recognize Prompt Payment Act application to these kinds of payments?

Mr. **Pattie**. Yes, especially in the area of progress payments. They will state to you that they do not cover progress payments, they do not provide Prompt Payment Act coverage for progress payments under their regulations. I think GSA and some of the other agencies have had this misinterpretation as well.

The act also requires that the vendor be notified within 15 days if for any reason the payment is not going to be made on time. You will hear witnesses today—you can certainly ask them; I haven't asked them personally—but I don't know of anybody today that is on a regular basis getting a 15-day notification when their bill is not going to be paid.

They may have delivered the goods. They may have completed the job. They may wait 30 or 45 days. They've done one billing, they're not getting a payment, and they have to call up and say, "How come we didn't get our payment?" instead of being notified as the act had required.

The act specifically did that because so many businessmen came to Congress and said, "Senator or Congressman, we don't even know; we have to call them up to find out whether we're going to be paid late, that there is a problem with it." The idea expressed by the act was that if they could get notified in 15 days, that as a result there was a fair chance that because the agency had looked at the bill, that the problem could be resolved and the payment could still be made within the 30-day cycle.

Senator **Trible**. Yes; is one of the problems here that often, the way Government agencies work, that the certification of the invoice or the acceptance of the work is done in the field and the payment is performed by some other office?

Mr. **Pattie**. Yes, that's true.

Senator **Trible**. So when you check the agency's computer, oftentimes the computer will not carry the transaction because the invoice has not yet been certified or the transaction approved?

Mr. **Pattie**. Yes.

Senator **Trible**. Is that correct?

Mr. **Pattie**. If the agency requires that the vendors send the invoice to the receiving agency and not to the finance office, the finance office has no idea that there is a payment due that they are faced with. And if the receiving agency takes 3, 4, 5 months to forward the paperwork to the finance office, the only way the finance office would know about that is if the vendor called up and said, "Where's my payment?" and they say, "I'm sorry, we don't know."

Some agencies, you will hear today, take the trouble to go out and try to track it down and help the vendor by trying to find that invoice and find where it is.

I think when you deal with the Navy, they specifically in a very complicated process, require the vendor to send the invoice out to the receiving entity, which in this case could be a ship or a naval base somewhere. I think the big problem that we have is that there are many long delays being reported to us by people who are dealing with the Navy in getting those receiving, acceptance, and certification papers to the finance office. Although I have read that the Navy says in its regulation this shouldn't be true, many of the directors or managers of their finance centers say, "We don't begin the 30-day count until we receive all the paperwork."

Consequently, the goods could have been delivered, they could have been used, they could have been consumed, and no payment would be initiated until somebody, a Government employee, a bureaucrat, has sent that paperwork into the finance center and got that clock ticking.

I might say, Senator, that this issue is not new as a criticism by the business community of the Navy. We began complaining about this even prior to the act. We've complained about it during 1983, and in 1984 right here in this area there was a hearing on this subject. And since then we've continued to complain, and still there has not been any resolution by the Navy.

We are looking for a change in their procedures. They are trying, I think in a sincere way, to adapt their finance program to the requirements of the act. But they're not changing their procurement procedures. They're not changing any of the requirements relative to receiving reports and acceptance.

They are applying the formal concept of acceptance to everyday off-the-shelf items such as an audio-visual projector or a microcomputer or ordinary supplies that are delivered—folders and paper and so forth. It's entirely unnecessary to go through an acceptance process on these everyday off-the-shelf products. And I can't even begin to imagine why it would take more than 30 days to touch and feel them, to smell them, to be sure that they're delivered adequately, and then to make the payment. Certainly, that 30 days is common in the business community, and it certainly ought to be common with the Government payment community as well.

Senator **TRIBLE**. Well, now in fairness to the Government, especially the Department of Defense, there are certainly a lot of transactions that are completed each day—tens of thousands, I would guess. But at the same time, there are certain rules of the game that apply in the marketplace, and those rules should apply to the Government as well. And it certainly seems that where the Government fails to pay its bills in a timely fashion, that it imposes an incredible burden on the business community, and especially on the small-business community which can ill afford a delay in monies due.

Mr. **PATTIE**. Right. On the one hand, here we are in the small-business community, we encourage the Government to do more business with small companies, and on the other hand I know of many small companies that just simply don't want to do business with the Federal Government because of this payment problem.

Certainly, I know there must be a number of companies here in the Tidewater area who would like to do business with the Government, but once they've heard about this late payment problem, they are very reluctant to get involved.

We're talking about cash flow here. We are talking about the company's ability to meet its payments that it owes for its employees and to buy its supplies and so forth. It's very difficult for a small company to lend cash interest-free to the Government, while it's waiting to be paid on an indefinite basis.

Senator TRIBLE. Tell me about lost invoices.

Mr. PATTIE. Well, I am sorry to have to report this because this is one of the things that was going on before the Prompt Payment Act, and I feel that there have been more complaints about this recently.

What we have here is a situation where a vendor will send in the invoice, he or she will go through their normal billing cycle, and after a month or two they will call and say, "What happened? We haven't got payment." And the agency will say, "We're very sorry. We have no evidence of your having submitted the invoice. We regret you will have to submit a new invoice."

The vendor submits a new invoice with the triplicate copies and all the requirements once again, and if the agency says they got it, then they will begin counting the 30 days at that point. If they say they didn't get it, he or she may call again. We have instances where people have submitted their invoices three and four times before the agency says they ever got it.

Senator TRIBLE. And the time clock does not begin to run until the invoice is certified or accepted?

Mr. PATTIE. That's true, although they should have begun the time clock at the receipt of the first invoice.

Senator TRIBLE. I understand but——

Mr. PATTIE. What you suspect is that because of the pressure to turn over their paperwork on their desks, that somebody may be tossing the invoices aside, shredding them.

Frankly, before the Prompt Payment Act was passed in 1982 we have instances of Government employees shredding the invoices so as not to have a backlog. So when the company called up, there's no question about it, there is no invoice on their desk. So they asked the company to submit it again.

Senator TRIBLE. What other areas are of major concern?

Mr. PATTIE. Well, I certainly think that the Congress should make it clear in an amendment to the act that the receiving and acceptance and cerrtification process should take place within the 30 days, that there is not any additional time that the Congress had intended. I don't think you ever intended for that extra delay to be there, and I think agencies are abusing the act by taking that extra time.

Senator TRIBLE. Perhaps the way to do that is to require that that acceptance or certifiation takes place within 15 days, and then payment in the second 15-day period.

Mr. PATTIE. That's a good idea. I think that would be quite acceptable. And then the interest would begin on the 31st day, beginning from the 30th day on.

Senator TRIBLE. That would cetainly put the burden on the Government, if there were some teeth in the statute, to come forward and tell the vendor what the problems were if indeed there was a problem with the invoice.

Mr. PATTIE. Right.

Senator TRIBLE. And that's not happening now with some regularity?

Mr. PATTIE. No, Senator, it's not.

I do think that there are some other things that could be instituted. We have inherited a very paper-oriented payment system.

We are involved in collecting paper. We get a receiving report and the acceptanace report, and we put that together with the contract, and the purchase order—and if there are multiple invoices, we have to put all that together. And I know that some of the agencies have automated, and I know that the Navy has installed some automated systems, and so forth.

But I personally believe and have seen evidence of the need for this in other agencies: That eliminating a lot of this paperwork is a part of the solution. You can't just say, "OK, we're going to implement the Prompt Payment Act. We're going to keep all of our paperwork just the same, just like it was 10-15 years ago. We're not going to convert the paper into a computer, but we're going to still do it the same way."

I think some of these steps need to be eliminated. I notice, for example, that the Navy says that they transmit their requests for parts directly to the procurement office, and so they use the latest technology in order to transmit what they need from the ship, wherever it is, to the procurement office. And I think that's certainly laudatory. They need it, and they need it in a hurry. But the problem is then when it comes to receiving it and paying for it, they do not transmit any receipt evidence or any receiving evidence or any acceptance evidence. They have to send that back through the paper process. So the vendor has urgently shipped off the goods, rushing them to wherever the site is that they need the goods, but receives payment late.

Why not institute a program of transmitting approval for the payment to the finance center so they can go ahead and make the payment?

Senator TRIBLE. Well, certainly the purpose of the Prompt Payment Act was to ensure that the Government would pay its bills on time, but also to make Government work more effectively and efficiently as well. And that's in everyone's best interest.

It seems that that clear mandate of the act is being frustrated now by a lot of the agencies, and the slowness in payment makes life very difficult for a lot of business people who struggling to make ends meet but who are required to perform very important functions for the Federal Government.

Mr. PATTIE. That's right, Senator, exactly right.

Senator TRIBLE. OK. Do you have anything else to add, Mr. Pettie?

Mr. PATTIE. No. I certainly congratulate you for holding these hearings.

Senator TRIBLE. Well, we thank you for your involvement.

Mr. Hudgins, I have read your statement as well, and I gather from your statement that your experience with the Federal agencies in this area have been quite satisfactory. Beyond that, you are now endeavoring to canvass your membership to determine what problems, if any, they have encountered along the way.

STATEMENT OF LESTER L. HUDGINS, JR., PRESIDENT, HUDGINS CONSTRUCTION CO., INC., NEWPORT NEWS, VA; AND PRESIDENT, ASSOCIATED GENERAL CONTRACTORS OF VIRGINIA

Mr. HUDGINS. Thank you, Senator Trible. I appreciate the opportunity to be here. We appreciate your concern for small business and prompt payment.

I was contacted on November 19 and asked to be here today. The AGC of Virginia then made a concerted effort to contact members, especially general contractors, to solicit input for this hearing. Of the dozen or so contacted, none responded directly to me. I feel that this is due to the time limitations of the hearing, together with the heavy workload of the construction industry at this time.

As president of the Associated General Contractors of Virginia, which has over 700 member firms, without their direct input, I feel I can only respond with the information compiled by my own firm, Hudgins Construction Co.

Based upon 37 invoices submitted to five Government agencies over the past 8 months, 20 invoices were paid beyond 30 days. Of those 20, 5 were paid beyond 15 days.

I might add that the——

Senator TRIBLE. Now, wait a minute. I don't understand that. Beyond 30 days? You mean it took more than 30 days for you to receive payment?

Mr. HUDGINS. Yes.

Senator TRIBLE. All right.

Mr. HUDGINS. Of the 37 invoices submitted, 20 of them were paid beyond 30 days.

Senator TRIBLE. Yes; all right.

Mr. HUDGINS. Of those 20, 5 were paid beyond 45 days.

Senator TRIBLE. Thank you.

Mr. HUDGINS. Without interest. I might add that it consisted of work with the Department of the Navy, the Corps of Engineers, and NASA.

The Navy at one site paid between 14 and 29 days; at another location, between 19 and 39 days. The Corps of Engineers at Langley Field paid between 20 and 50 days. NASA at one project paid between 34 and 49 days. On another project NASA paid between 36 and 48 days.

So in our personal experience, NASA is the biggest offender to the act.

Senator TRIBLE. And you did not receive payment of interest on these late payments?

Mr. HUDGINS. No; we did not. We requested it on two occasions, and we were denied. My controller handles that. She informed me that we were instructed that we could not be paid interest because of the 15-day grace period. We were unable to provide to the Government when they received our invoice, which they asked us to do in order to justify interest payments, or when in fact the check was mailed.

Another area of concern is cutbacks in change orders. This occurs much too frequently. Rather than discuss these areas, the Government tends to cut back the amount of the invoice and send the invoice on for payment at a reduced amount. Many times, we are only aware of that upon receipt of the check, rather than take the time to discuss with the contractor, and thereby the possibility of paying even later.

I have to say that we are being paid much more promptly in a general basis than prior to the act, and as I stated before, NASA does seem to be the continuing problem in our particular case.

I would like to point out a letter which I have from the Department of the Army, New York District Corps of Engineers Northeastern Area Office in Limestone, ME. The particular paragraph of this letter is dated February 19, 1985:

> Recent guidance from the Office of the Chief of Engineers in Washington, DC, reveals that construction contracts are excluded from provisions of the Prompt Payment Act. As a result of this guidance, no interest will be paid on late construction progress payments.

Senator TRIBLE. I really don't believe that was the intent of Congress. So we may have to speak with greater precision in the days ahead.

Mr. Hudgins, I appreciate your testimony. Your statement will be made a part of the record.

[The prepared statement of Mr. Hudgins follows:]

Proposed Testimony by Lester L. Hudgins, Jr.
Monday, December 2, 1985

I was contacted on November 19th and asked to be here today. The AGC of Virginia then made a concentrated effort to contact members, especially general contractors, to solicit input for this hearing. Of the dozen or so contacted, none responded directly to me. I feel that this is due to the time limitations of this hearing, together with the heavy workload of the construction industry at this time.

As President of the AGC of Virginia, which has over 700 member firms, without their direct input, I feel I can only respond with the information compiled by my own firm, Hudgins Construction Co., Inc.

Based upon 37 invoices submitted to five Government agencies over the past eight months, 20 invoices were paid beyond 30 days, and of those 20, five were paid beyond 45 days.

Little Creek	14-29 days
Langley	20-50
Navy	19-39
NASA	34-49
NASA	36-48

Our accounting department advised us that only twice have we requested interest (after the payment had been received late) and these requests were refused, citing the 15 day grace period. We were unable to prove when the Government received our invoice and when they mailed the check.

Another area of concern is cut-backs and change orders. This occurs much to frequently. Rather than discuss these two areas, the Government tends to cut back or cut out and send invoices on for payment at a reduced amount, rather than take time to discuss with the contractor and thereby take a chance on paying late.

We are now being paid much more promptly than prior to the Prompt Payment Act. NASA seems to continue to be a problem, and from what I can observe, seems to be the biggest problem to the construction industry.

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Analysis of Payment
on Govn't Jobs

	83-9			83-19			83-21			84-4			84-8		
	Langley			Little Creek			NASA			NASA			Navy		
	DATE INV		DATE Rec'd												
MAR	2/1	㊳	3/11	2/1	㉙	3/1	1/31	㊱	3/8	1/31	㊾	3/21	1/31	㊴	3/11
	2/28	⑳	3/20	2/28	⑭	3/14							2/28	㉙	3/29
APR	3/31	㉕	4/25	3/31	⑮	4/15	2/28	㊴	4/8	2/28	㊴	4/8	3/31	㉕	4/25
MAY	4/30	㉑	5/21	4/30	⑰	5/17	3/31	㊺	5/15	3/31	㊴	5/9	4/30	㉘	5/28
JUNE				5/31	⑱	6/18	4/30	㊱	6/5	4/30	㊱	6/5	5/31	㉘	6/28
JULY	5/31	㉛	7/1	6/30	⑲	7/19	5/31	㊽	7/18	5/31	㊽	7/18	6/30	⑲	7/19
AUG	6/30	㊿	8/19	7/31	⑲	8/19	6/30	㊸	8/12	6/30	㊱	8/5	7/31	⑲	8/19
SEPT	7/31	㊼	9/16	8/31	⑳	9/20	6/30	㊸	9/16	7/31	㉞	9/3	8/31	㉚	9/30
	20-50			14-29			36-48			34-49			19-39		

The amounts circled indicated the number of days between invoice date (not delivery) and cash received

The amounts in yellow are days > 45 days. This could be due to 1) The invoice not being delivered on the date of the invoice - it normally takes between 1-5 days to deliver invoice

Conclusion: As a whole we are being paid promptly. The real problem is the cut backs on the invoices.

In the past there has been a delay of approval of change orders on Data Processing

what % of total revenue are these jobs

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Analysis of Payment
on Gov't Jobs

		83-9 Langley			83-19 Little Creek			83-21 NASA			84-4 NASA			84-8 Navy	
MAR	2/1	28	3/11	2/1	29	3/1	1/31	36	3/8	1/31	49	3/21	1/31	39	3/11
	2/28	20	3/20	2/28	14	3/14							2/28	29	3/29
APR	3/31	25	4/25	3/31	15	4/15	2/28	39	4/8	2/28	39	4/8	3/31	25	4/25
MAY	4/30	31	5/31	4/30	17	5/17	3/31	45	5/15	3/31	39	5/9	4/30	28	5/28
JUNE				5/31	18	6/18	4/30	36	6/5	4/30	36	6/5	5/31	28	6/28
JULY	5/31	21	7/1	6/30	19	7/19	5/31	48	7/18	5/31	48	7/18	6/30	19	7/19
AUG	6/30	50	8/19	7/31	19	8/19	6/30	43	8/12	6/30	36	8/5	7/31	19	8/19
SEPT	7/31	49	9/14	8/31	20	9/20	6/30	42	9/11	7/31	34	9/3	8/31	20	9/20
		20-50			14-29			36-48			34-49			19-39	

The amounts circled indicated the number of days between invoice date (not delivery) and cash received

The amounts in yellow are days > 45 days. This could be due to 1) The invoice not being delivered on the date of the invoice - it normally takes between 1-5 days to deliver invoice

Conclusion: As a whole we are being paid promptly. The real problem is the cut backs on the invoices.

In the past there has been a delay of approval of change orders on Data Processing.

What % of total revenue are these jobs.

Senator **Trible**. Gentlemen, you have gotten us off to a good start today. Thank you very much.

Mr. **Hudgins**. Thank you.

Mr. **Pattie**. Thank you.

Senator **Trible**. Next will be our panel No. 1. I will invite Alan Fuentes to return, William Muehleib, and Jack Greenhalgh.

Alan Fuentes is president of Computer Dynamics, Inc., a small business company in Virginia Beach, VA, William Muehleib is president of Federal Sales Services, from Alexandria. And Jack Greenhalgh is executive vice president of American Systems Engineering Corp., also of Virginia Beach.

Gentlemen, for the record, I would invite you to introduce the other two gentlemen who are with you at the panel.

Mr. **Fuentes**. This is Carl Anderson. He is my accountant with Computer Dynamics.

Senator **Trible**. Fine.

Mr. **Greenhalgh**. I have Curtis Henley, the controller of American Systems Engineering with me.

Senator **Trible**. All right, gentlemen. You are loaded for bear today. We thank you for being here.

Now, once again, your full statements will be made a part of the record. I would invite you to summarize those statements, if you would, and try to restrict your testimony to about 5 minutes if you can so that will leave ample time for questions. But I want you to say whatever you believe ought to be said today.

Mr. Fuentes, since you are front and center, let's begin with you.

STATEMENT OF R. ALAN FUENTES, PRESIDENT, COMPUTER DYNAMICS, INC., VIRGINIA BEACH, VA, ACCOMPANIED BY CARL ANDERSON

Mr. **Fuentes**. Thank you, Senator Trible. It's a pleasure to be here today, and we appreciate your concern on behalf of the small business community dealing with the Federal Government.

In good faith the Congress enacted this Prompt Payment Act some 3 years ago, but unfortunately the Federal Government is abusing the act, and, very specifically, the 15 days' grace period, in my opinion. I will give you an example. With the Navy, for example, prior to the implementation of the Prompt Payment Act, we were paid on one of our local contracts through actually the paying office in Philadelphia DCSAR. It used to take us between 2 to 3 weeks to receive payment on this contract. After the Prompt Payment Act, we're lucky if we receive payment within 50 days. That tells me that somebody there has said, "Let's not pay these bills unless they're absolutely due, which is the 44th day or less."

That's just one instance. There are a number of other areas that we have had problems with. We have a large fixed-fee contract with the Navy that takes over 50 days to receive payment.

A lot of instances are at the actual COTAR level, which means our customer, where we are actually performing the work, if somebody happens to take off for leave, that means that our invoice will sit there on his desk or her desk until that person returns from leave. Now, that can take anywhere from a week to a few days and on and on.

The contract invoice is then sent on a particular contract over to Langley Air Force Base to the Defense Contract Audit Agency, which has to approve the invoice. And then it is sent to the paying office. And then again it's difficult for us to prove when the paying office actually receives the invoices.

Most of our invoices that are of large value—and I am talking $100,000 a month plus, and we have several contracts that we build in excess of $200,000 to $300,000 a month. We send those invoices Federal Express now, which is another burden to us—it's some $9 or $10 to send this invoice—so that we can have absolute proof that we did send the invoice.

One example of the General Services Administration is sent two invoices. We have two different regions, Regions 2 and 3. We sent our invoices to the same paying office. We sent them both the same time in the same Federal Express envelope. Both invoices were received. However, only one invoice was logged in. It was logged in at GSA 2 days after they had received the invoice through the Federal Express. Some 30 or 40 days later we called to find out what the problem was with the other one because we hadn't received payment. They said, "Well, it had never been logged in." But they couldn't tell us why. But we could prove to them that both invoices were sent in the same envelope.

Consequently, the clock started after they found the invoice, and logged it in and paid us some 40-some-odd days later without the benefit of paying interest. We have never found an agency that actually voluntarily paid interest without us going back and requesting it. In most cases, I don't know that we've actually received interest.

The bottom line is that these payments being paid this late—for example, on this cost-plus contract with the Navy—over the past year it has cost Computer Dynamics $20,000 to carry these invoices for the extended period of time that it has taken to pay. In other words, we have to borrow money to make our payments and our payroll. And for that one particular contract we have spent over $20,000 in interest to satisfy our bill paying. We do pay our bills on time. We pay them within 30 days.

Senator TRIBLE. You don't have a grace period, Mr. Fuentes?

Mr. FUENTES. Excuse me?

Senator TRIBLE. You don't have a grace period with your customers?

Mr. FUENTES. No; we do not have a grace period. We pay our bills within 30 days.

Another contract with the Navy requires the work to be completed and accepted, in many instances, the bills are sent concurrently. And these are billed, but not paid. The same instances as GSA. They may not log one bill in, but the other one may get logged in. But the problem is that we're not being paid within the prescribed 45 days. And in most cases, our average with the Navy is running somewhere around 50 days turnaround time before we receive payment on most of our invoices.

Senator TRIBLE. That is 50 days from the date of acceptance?

Mr. FUENTES. From the date of acceptance or certification.

Senator TRIBLE. Or certification of the invoice?

Mr. FUENTES. Yes, sir.

Senator Trible. According to your testimony, that can take months sometimes?

Mr. Fuentes. Absolutely. So you are really talking more than in excess of 50 days.

Another contract we have with the General Services Administration, just to give you an idea of the effect that it has on CDI, a contract that we started last February—we actually only performed on this contract for 8 months, but it's a very large contract. We're talking somewhere near $300,000 a month in bills on a particular contract. The interest that we paid to carry those invoices amounted to $22,000 in 8 months.

In all, I believe we paid out last year in interest to finance the Federal Government amounted to somewhere close to $150,000 for the year. If we could get paid, if we were paid reasonably quickly, and I am talking 30 days, we wouldn't have that problem. We could probably cut that in half.

I understand that we have to pay our dues to do business with the Federal Government, and I don't mind telling you that I think the Federal Government is a fine customer. In fact, I went to West Virginia a few months. Senator Burr asked me to come by and talk about doing business with the Federal Government, and I told everybody at this seminar that I thought the Government was the best customer you could possibly have.

Of course, what they always come back with is, "Well, what about getting paid?" Well, that's the cost you have to bear if you're going to do business with the Government. But the fact is you're going to get paid. You may have to wait a while to get paid, but you will always get paid. I have commercial customers that I still haven't been paid for for years, and we just have to write it off the books. I have always been paid by the Government, but sometimes it takes an awful lot of time to get the payment.

My recommendation to the Senate Small Business Committee would be to eliminate the 15 days and use the 30 days just like everybody else. The industry average is 30 days, and that's what we pay. We feel that we should be paid in the same amount of time.

[The prepared statement of Mr. Fuentes follows:]

STATEMENT OF R. ALAN FUENTES, PRESIDENT, COMPUTER DYNAMICS, INC. VIRGINIA BEACH, VA

Implementation Problems with the Prompt Payment Act of 1982, Public Law 97-177.

Although improvement have been experienced by Computer Dynamics, Inc. with regards to receiving payments on invoices submitted, many U.S. Government agencies continue to fail to meet their obligations as they become due. This failure to pay on time puts undue economic and financial pressures on firms which ultimately affects their ability and desire to do further business with these government agencies. In Fiscal year 1985, Computer Dynamics incurred over $125,000 in interest charges to carry these delays in payments. The average number of days to collect payment on invoices submitted was over 60 days. Examples of specific problems that Computer Dynamics, Inc. has encountered in the last fiscal year in receiving payment on U.S. Government contracts are.

(1) A large, Cost Plus Fixed Fee contract with the U.S. Navy has consistently taken over 50 days to receive payment. Invoices are submitted to the COTR who is required to review, approve or return within 3 working days. If approval he forwards them to certifying office who in turn forward to Philadelphia DCASR for payment. On several occasions the COTR has been on leave or out sick. The invoices have remained on his desk for weeks at a time before review and approval. The "clock" did not start until he certified them as correct. In one instance an invoice took over 100 days to be paid after acceptance of the work. Interest paid to carry these invoices amounted to over $20,000 in our last fiscal year.

(2) Another large contract with the U.S. Navy requires CDI to bill when work is completed and accepted. In many instances several tasks are completed concurrently and we bill for these tasks together in one invoice. Ultimately, one task will be paid before the other (several weeks difference) although billed on the same date, on the same invoice. The average number of days to receive payment on this contract is approximately 48 days. Receipt of payments have ranged from 29 days to over 110 days. Invoices carried beyond 40 days incurs interest charges greater than the profit margin on the contract. Interest paid to carry these invoices amounted to over $15,000 in our last fiscal year.

(3) A large contract with the General Services Administration is billed on a monthly basis. Typically, 5-10 days after the month has ended and the work completed and accepted, we Federal Express the bill to the payment office. Average days to collect has been over 45 days. Conversations with the accounting clerks at the payment office indicate that GSA routinely pays their invoices late in the fifteen day "grace period". It is standard policy. Interest paid to carry these invoices amounted to over $23,000 in our last fiscal year.

(4) Still another contract with the General Services Administration constantly gives us problems in receiving payments. Average number of days to collect is over 50 days. On four invoice submitted, unfunded tasks (no fault of CDI) have been withheld from payment until funding is available. It took, on the average, over 108 days to receive payment on these unfunded tasks. In one instance, CDI submitted two invoices (for different regions) to the paying office. These invoices were submitted in the same envelope and Federal Expressed to the paying office. One invoice was properly logged into their payment system 2 days later. The other invoice was not logged into their system until 30 days later. The paying office could not explain why there was a delay of 30 days in logging in this invoice when it could be proven (by Federal Express receipt) that it had been delivered the same day as the other invoice. The "clock: did not start for payment until they had logged in this invoice. This particular invoice was finally paid 73 days after submission. Interest paid to carry these invoices amounted to over $22,000 in our last fiscal year.

(5) A U.S. Navy contract out of Washington, D.C. requires that CDI route the invoices through the Defense Contract Audit Agency for review and approval. They in turn, submit to the paying office. In one instance, a monthly invoice had to be resubmitted four different times after CDI has quiried amount late payments. It could be proven that the DCAA had received each invoice and had forwarded them to the paying office. However the paying office maintained that they never received them. Therefore the time did not start for determining when our payment was due or interest payable until after the fourth submission. It took 171 days to get paid on this invoice.

(6) CDI's worst contract in terms of payment is also a U.S. Navy contract paid by Philadelphia DCASR. The first 2 invoices submitted averaged 83 days until payment was received. Two subsequent invoices were submitted on a timely basis. Two months later these invoices were returned with the statement that they could not be certified for payment because there was no progress payment clause in the contract (which there actually is). This is after they had already paid the first two invoices submitted. These "rejected" invoices were resubmitted and, to date, have not been paid. The "clock" did not start for payment until after we resubmitted the invoices, although, it was the U.S. Government's error in not accepting them in the first place. One invoice is over 150 days outstanding and the other is over 70 days outstanding. Interest paid to carry these invoices amounted to over $4,000 in our last fiscal year.

(7) A U.S. Navy contract that calls for monthly payments consistently takes over 55 days for payment. None have been paid in less than 53 days. In one instance, a February invoice submitted 30 days after a January invoice, was paid before the January invoice was paid.

(8) A U.S. Army contract calls for equal monthly billings. Average number of days to receive payment is 50 days. The first invoice submitted was November 21, 1984. CDI did not receive payment on this invoice until March 8, 1985, or 107 days later.

(9) A Department of State contract has averaged 65 days to receive payment for invoices submitted. One invoice, dated march 1, 1985 is still outstanding over 250 days.

In all the examples cited above, CDI has never received interest on these late payments.

COMPUTER DYNAMICS, INC.
ANALYSIS OF RECEIVABLES ON CONTRACTS
AS OF 10/10/85

NAVELEX - FY 1985 (N00189-82-C-0617)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
#68	$43,531.94	10/22/84	12/24/84	62 days
69	48,619.24	11/08/84	02/20/85	102
70	44,975.09	11/19/84	02/15/85	86
71	34,209.17	12/03/84	02/15/85	72
72	44,940.71	12/14/84	02/15/85	61
73	48,175.66	12/31/84	02/15/85	45
74	28,871.95	01/15/85	03/11/85	56
75	53,818.72	01/25/85	03/20/85	55
76	52,980.38	02/08/85	03/27/85	49
77	55,794.08	02/25/85	04/15/85	50
78	54,831.07	03/11/85	04/15/85	34
79	62,515.51	03/22/85	05/20/85	58
80	63,896.48	04/08/85	06/03/85	58
81	70,065.14	04/18/85	06/03/85	45
82	68,676.11	04/25/85	06/02/85	47
83	68,339.40	05/13/85	06/17/85	34
84	65,811.81	05/30/85	06/17/85	17
85	61,261.67	06/12/85	08/08/85	56
86	73,099.26	06/27/85	08/26/85	59
87	68,989.87	07/11/85	08/26/85	45
88	73,057.50	07/25/85	09/23/85	58
89	79,591.48	08/07/85	-	60
90	78,245.66	08/21/85	-	46
91	84,073.27	09/05/85	-	32
92	75,635.51	09/19/85	-	18

Average # of Days O/S = 52

NARDAC - FY 1985 (N00189-82-D-0593)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
128	$24,801.49	10/18/84	.1/28/84	40
129	20,827.23	10/24/84	11/23/84	29
130	18,771.93	10/29/84	11/30/84	31
131	29,484.78	11/06/84	12/10/84	34
132	26,335.81	11/08/84	12/17/84	39
133	16,952.01	11/19/84	12/24/84	35
134	20,311.56	11/27/84	12/19/84	28
135	19,645.88	11/30/84	01/17/85	37
136	25,995.51	12/11/84	01/14/85	33
137	49,941.13	12/19/84	01/23/85	34
138	36,183.34	12/26/84	01/28/85	32
139	21,613.91	01/02/85	02/08/85	36
140	22,634.02	01/10/85	02/19/85	39
141	18,757.36	01/10/85	02/19/85	39
142	14,606.07	01/18/85	03/11/85	53
143	33,713.46	01/28/85	03/11/85	43
144	29,520.96	02/01/85	03/11/85	41
145	24,070.82	02/07/85	03/14/85	37
146	24,052.09	02/14/85	03/28/85	44
147	31,469.82	02/26/85	06/18/85	112
148	34,379.45	03/19/85	04/22/85	33
149	24,636.58	03/19/85	04/22/85	33
150	29,477.81	03/13/85	04/22/85	38
151	32,209.54	03/26/85	05/02/85	36
152	38,035.93	03/29/85	05/07/85	38
153	20,780.89	04/09/85	05/20/85	41
154	24,650.69	04/18/85	05/24/85	36
155	32,883.63	04/25/85	06/04/85	39
156	23,034.47	04/25/85	06/04/85	39
157	40,804.54	05/13/85	06/17/85	34
158	10,390.56	05/13/85	06/17/85	34
159	18,561.60	06/11/85	07/19/85	38
160	13,971.75	06/11/85	07/19/85	38
161	27,379.59	06/11/85	07/29/85	48
162	26,700.54	06/11/85	07/29/85	48
163	13,835.94	06/11/85	07/19/85	38
164	18,043.66	06/17/85	07/29/85	42
165	26,351.92	06/20/85	07/29/85	39
166	15,422.98	07/02/85	08/13/85	41
167	37,309.66	07/15/85	08/30/85	45
168	19,208.37	07/15/85	08/30/85	45
169	17,343.00	07/22/85	08/19/85	27
170	16,246.77	07/29/85	09/23/85	54
171	22,883.62	08/11/85	10/02/85	51
172	22,335.58	08/11/85	10/02/85	51
173	12,469.70	08/19/85	10/02/85	43
174	19,853.01	08/23/85	-	44
175	24,743.38	09/02/85	-	35
176	20,099.52	09/06/85	-	31
177	17,412.33	09/20/85	-	17

Average # of Days O/S = 40

GSA - Region 4 (GS-04F-01034)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
1	$158,239.91	11/07/84	01/04/85	57 days
2	142,455.21	12/07/84	01/28/85	51
3	132,768.97	01/09/85	02/20/85	41
4	150,325.67	02/05/85	04/08/85	62
5	136,929.94	03/08/85	04/04/85	46
6	158,409.79	04/08/85	05/20/85	42
7	165,437.40	05/06/85	06/24/85	48
8	168,423.05	06/10/85	07/18/85	38
9	151,027.62	07/08/85	08/19/85	41
10	172,831.38	08/09/85	09/12/85	33
11	178,663.78	09/19/85	-	18

Average # of Days O/S = 46

GSA Region 2 (GS-03F-85038)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
1	$28,637.02	03/29/85	05/13/85	44 days
	(6,387.12)	03/29/85	08/28/85	149
2	89,103.88	04/17/85	06/04/85	47
	(13,651.83)	04/17/85	08/28/85	131
3	106,808.09	05/13/85	07/08/85	55
	(5,302.96)	05/13/85	08/28/85	105
4	99,930.60	06/12/85	07/12/85	40
	(253.93)	06/12/85	-	115
5	161,840.02	07/08/85	09/11/85	63
	(2,153.54)	07/08/85	-	89
6	131,609.44	08/09/85	09/30/85	51
	(124.81)	08/09/85	-	58
7	118,928.65	09/10/85	-	

Average # of Days O/S = 50
Average # of Days O/S = 108

GSA Region 3 (GS-03F-85038)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
1	$49,900.96	03/29/85	05/16/85	47 days
2	163,532.39	04/17/85	05/23/85	36
3	171,384.35	05/13/85	06/17/85	34
4	179,033.68	06/12/85	07/22/85	40
5	161,840.02	07/08/85	09/11/85	63
	(2,153.54)	07/08/85	09/11/85	89
6	179,678.46	08/09/85	09/16/85	37
7	188,779.65	09/07/85	-	30

Average # of Days O/S = 41

NAVSUP (LOGMARS) (N00600-84-C-5140)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
1	$28,594.80	11/14/84	12/21/84	37 days
2	49,940.13	12/19/84	01/23/85	34
3	21,217.53	01/07/85	01/31/85	24
4	22,767.69	02/01/85	03/18/85	47
5	27,171.69	03/19/85	05/13/85	54
6	15,142.54	04/18/85	-	171
7	8,807.01	05/13/85	06/28/85	45
8	10,789.55	06/11/85	-	86
9	10,109.77	07/15/85	08/19/85	34
10	5,683.84	08/23/85	-	44

Average # of Days O/S = 58

Guentenberg (Antenna Manual Update) (N00189-85-C-0069)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
1	$35,150.00	03/05/85	05/23/85	78
2	35,150.00	04/25/85	07/23/85	88
3	35,150.00	06/17/85	-	110
4	27,750.00	08/27/85	-	40

Average # of Days O/S = 79

NAVELEX Library (N00189-83-C-0629)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
13	$8,386.02	11/05/84	12/31/84	56 Days
14	8,671.64	12/03/84	01/28/85	55
15	7,524.90	01/10/85	03/07/85	57
16	1,240.80	02/25/85	04/23/85	58
17	8,633.49	02/14/85	04/15/85	61
18	9,039.22	03/06/85	04/29/85	53
19	8,956,55	04/09/85	06/03/85	54
20	8,895.37	05/10/85	07/08/85	58
21	9,413.26	06/11/85	08/19/85	68
22	8,956.37	07/15/85	09/10/85	55
23	8,121.60	08/19/85	-	52
24	6,122.81	09/04/85	-	33

Average # of Days O/S = 55

FAA (DTFA01-84-Y-01005)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
11	$12,040.09	10/22/84	12/03/84	41 Days
12	12,794.45	10/30/84	12/06/84	36
13	15,353.56	11/19/84	01/07/85	48
14	11,930.02	12/03/84	01/18/85	45
15	16,964.79	12/11/84	01/30/85	44
16	15,029.54	12/26/84	02/07/85	41
17	6,208.64	01/07/85	02/25/85	48
18	20,604.08	02/04/85	03/26/85	52
19	12,397.65	02/11/85	03/26/85	45
20	13,269.07	02/22/85	04/08/85	46
21	14,367.16	03/07/85	04/22/85	45
22	14,886.72	03/19/85	05/13/85	54
23	13,663.68	04/04/85	06/03/85	59
24	11,540.42	04/12/85	06/17/85	65
25	13,033.32	05/03/85	07/08/85	65
26	13,042.54	05/13/85	07/08/85	55
27	13,192.25	05/30/85	07/08/85	48
28	11,575.51	06/12/85	07/26/85	44
29	11,832.26	06/28/85	08/19/85	51
30	12,358.95	07/11/85	08/21/85	40
31	16,050.89	07/23/85	08/30/85	37
32	16,404.36	08/09/85	10/01/85	51
33	12,835.74	08/21/85	-	47
34	11,616.25	09/09/85	-	
35	12,442.42	09/19/85	-	

Federal Highway Administration (DTFH61-83-C-00124)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
14	$4,579.20	10/30/84	01/18/85	78 Days
15	3,084.60	11/26/84	02/01/85	65
16	3,466.20	12/26/84	02/20/85	54
17	4,406.40	02/11/85	03/18/85	37
18	5,214.24	02/20/85	03/18/85	48
19	4,479.84	03/19/85	05/20/85	61
20	4,626.72	04/18/85	06/13/85	55
21	10,061.28	05/22/85	08/07/85	75
22	9,400.32	06/10/85	08/02/85	52
23	9,437.04	07/10/85	09/16/85	66
24	7,050.24	08/06/85	09/09/85	63

Average # of Days O/S = 59

TRADOC (DABT57-84-C-0071)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
4	$14,013.39	11/21/84	03/08/85	107 Days
5	14,013.39	01/28/85	03/08/85	40
6	14,013.39	01/28/85	03/08/85	40
7	14,013.39	02/01/85	03/08/85	37
8	14,013.39	03/19/85	04/30/85	41
9	14,013.39	05/01/85	07/10/85	69
10	14,013.39	05/13/85	07/10/85	57
11	14,013.39	08/19/85	09/30/85	41
12	14,013.39	08/19/85	09/30/85	41
13	14,013.39	08/19/85	09/30/85	41
14	14,013.39	09/04/85	-	33

HCFA (500-83-0029)

Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
16	$61,347.52	11/15/84	01/10/85	55 Days
17	52,871.16	12/14/84	01/28/85	44
18	2,893.33	12/14/84	02/05/85	51
19	38,283.11	01/11/85	03/01/85	50
20	5,504.40	01/11/85	03/04/85	53
21	44,065.19	02/19/85	04/04/85	45
22	3,141.16	02/19/85	04/04/85	45
23	38,780.64	03/18/85	05/02/85	44
24	7,013.17	03/18/85	05/02/85	44
25	17,421.84	03/18/85	05/02/85	44
26	3,012.64	03/18/85	05/02/85	44
27	21,588.96	04/09/85	03/17/85	38
28	21,405.47	04/09/85	03/17/85	38
29	25,161.37	05/20/85	06/27/85	37
30	27,064.18	05/20/85	06/26/85	37
31	27,175.37	05/20/85	06/26/85	37
32	3,003.91	05/20/85	06/26/85	37
33	16,319.19	06/13/85	07/20/85	43
34	41,812.90	06/13/85	07/20/85	43
35	3,907.66	06/13/85	07/20/85	43
36	8,919.21	07/08/85	08/15/85	37
37	41,609.63	07/08/85	08/15/85	37
38	14,291.04	08/09/85	09/19/85	40
39	36,295.17	08/09/85	09/19/85	40
40	5,998.54	09/03/85	-	35
41	39,547.77	09/03/85	-	35

Average # of Days O/S = 42

Department of State

Contract #	Invoice #	Amount	Date of Invoice	Date Paid	# of Days O/S
1038-503030	0001	$5,816.16	11/09/84	01/14/85	65 Days
3-84-1-5076	03-0004	6,301.35	11/11/84	12/26/84	45
1038-503030	0002	5,539.20	12/05/84	01/14/85	39
3-84-1-5076	0005	5,453.80	12/12/84	01/09/85	27
1038-503030	0003	4,536.30	01/04/85	03/08/85	64
3-84-1-5076	03-0006	5,748.60	01/04/85	02/01/85	27
3-84-1-5076	03-0007	6,043.40	02/11/85	03/20/85	39
1038-503030A	0001	2,874.30	02/11/85	03/28/85	47
1038-503030	0004	2,734.98	02/11/85	03/28/85	47
1038-503030A	0002	2,984.85	03/01/85	-	218
1038-503030	0002	3,319.30	03/01/85	06/03/85	92
3-84-1-5076	03-0008	5,601.20	03/01/85	04/05/85	34
1038-503239	0001	3,655.72	04/02/85	07/30/85	118
1038-503215	0003	1,450.80	04/02/85	05/16/85	44
3-84-1-5076	03-0009	5,896.00	04/02/85	05/21/85	49
1038-503215	0001	679.50	04/25/85	07/08/85	73
1038-50329	0002	4,369.60	04/25/85	07/08/85	73
3-84-1-5076	03-0010	5,822.30	05/03/85	09/06/85	123
3-84-1-5076	03-0011	8,107.00	06/04/85	08/07/85	63
1038-503239	0002	868.25	06/04/85	07/30/85	56
1038-503239	0003	5,279.55	06/04/85	07/06/85	52
1038-503239	0003	453.00	07/01/85	-	97
1038-503239	0003	4,616.00	07/01/85	-	97
3-84-1-5076	03-0012	9,635.90	07/11/85	-	87
3-84-1-5076	03-0013	6,190.80	08/02/85	-	66
1038-503239	0005	4,616.00	08/02/85	09/06/85	34
1038-502340	0004	2,400.50	08/02/85	-	66
1038-503239	01-0006	6,692.25	09/03/85	-	35
3-84-1-5076	03-0014	6,115.05	09/03/85	-	35
1038-502340	02-0005	1,303.80	09/03/85	-	35

Average # of Days O/S = 65

Senator **Trible**. Good; well, I read your testimony, and you have set forth in there a number of detailed problems of delay in certifying invoices or accepting work. This keeps the payment clock from running, so that even when the Government finally decides that the clock should start running, you may be paid within 30 or 40 or 50 days, often the delay extends for many, many months. And that is a cost that is imposed on your business. Ultimately though, it's a cost, I suspect, that's paid by the taxpayers. So that's a matter of particular concern to me, as well as to you, I know.

Mr. Muehleib, please.

STATEMENT OF WILLIAM H. MUEHLEIB, PRESIDENT, FEDERAL SALES SERVICE, INC., ALEXANDRIA, VA, REPRESENTING COALITION FOR MULTIPLE AWARD CONTRACTS

Mr. **Muehleib**. Senator.

Senator **Trible**. Yes, sir. You're right there at the table.

Mr. **Muehleib**. Thank you. Bill Muehleib is my name.

Senator **Trible**. Mr. Muehleib, your business is in Alexandria, VA.

Mr. **Muehleib**. Alexandria, VA.

Senator **Trible**. We're glad to have you down in the Hampton Roads area.

Mr. **Muehleib**. Thank you very kindly. I apologize for being a little bit late. We had an unfortunate driving accident on the way down.

Senator **Trible**. Well, you're right on time as far as this chairman is concerned. I am sorry about your problem. Go ahead, sir.

Mr. **Muehleib**. Thank you. Federal Sales is one of 6,500 members of the National Office Machine Dealers Association who are concerned with timely payment for the delivery of commercially available products to the Federal Government. These products generally are sold at some substantial discount to the Federal Government, since the Federal Government considers itself a very favored customer. The rate of return on Government purchases is substantially less to the dealer than purchases made in the commercial sector, primarily due to the requirements of doing business with the Federal Government, but also substantially because of the delays in payment to the commercial supplier.

It's not difficult to provide the committee with benchmarks for measuring the effect of the implementation of this act by the agencies has had on the cash flow of small businesses, and to demonstrate this, I am going to take specific examples from those experienced by my company, Federal Sales Service.

Prior to the implementation of the Prompt Payment Act, the average pay time for Government accounts receivable was in the 68-day area. It took us 68 days to collect from the Federal Government. After the first full year of implementation of the Prompt Payment Act, that dropped from 68 to 66 days, and the following year it dropped to 65 days.

However, for October 1985, which would have been the third full year, our accounts receivable is now back up to 67 days. And I hesitate to think what it's going to be like in the future.

We have a particular problem with accounts receivable. And again as an example, our total Government accounts receivable amounts to $2,214,590. Of this amount, $1,194,000, or 54 percent of the total, is over 45 days old; 13.5 percent of this amount is over 120 days old. At the current cost of money, it is costing Federal Sales $11,942 a month in our interest payments to finance the purchases of the Federal Government.

There are specific activities who have a greater number of incidences than others, and I have given you our Exhibit No. 3 there. But to give you an example, those activities with invoices just of over 45 days, we have 52 invoices from Langley Air Force Base, 46 invoices from Aberdeen Proving Grounds, 37 invoices from the Marine Corps, 34 invoices from the Army, and 23 invoices from the Navy. We didn't slight any of the military at all.

Those activities which are over 45 days alone, we have 14 from the Marine Corps, 13 from the Navy, 13 from the Air Force, 11 from the U.S. Department of Agriculture, and 9 from the—and I hesitate to say—the Library of Congress.

Senator **Trible**. Yes; could we take a break for just a moment?

[Brief recess.]

Senator **Trible**. We are now back in order.

Thank you. Please continue, Mr. Muehleib.

Mr. **Muehleib**. Thank you.

Now, the part that really concerns us are those invoices which are over 90 days because as you lengthen the time for payment, the likelihood of your collection in a very simple fashion becomes somewhat complicated. At the 90-day level—and this is strictly in numbers of invoices rather than dollar amounts—Langley Air Force Base had 32 invoices outstanding over 90 days; Aberdeen Proving Grounds, 23 invoices outstanding; the Navy, 14; the Army, 12—and that's the Defense Logistics Agency at Cameron Station; and the Marine Corps, 12 invoices outstanding.

Senator **Trible**. So it's a broad-based problem?

Mr. **Muehleib**. It is very broad-based. We have some civil agencies in that area, not quite as much as the military.

I was reviewing another very serious problem we have, and that is on the payment of interest. In accordance with the public law, the efficiency of the Prompt Payment Act is measured by the dollar amounts of interest that are paid. We currently have in our files 328 letters that we have written to various activities requesting that interest be paid. These are agencies that pay their bill over 45 days, do not submit the interest, and on which we are required to take extra steps to collect interest.

As a matter of fact, since the implementation of the Prompt Payment Act we have had to hire a credit and collections manager at $24,500 a year in order to try to get our accounts receivable in order.

We are only thankful that the commercial interest rates have dropped to where they are now. If they were up in the area of the 20 percent where they were when the Prompt Payment Act was initially enacted, I doubt very seriously whether we would be here to testify, frankly.

Another very difficult problem that we have is in getting paid for orders on which the activities have requested partial shipment.

These are orders on which you may have four or five line items for a number of commercially available items in the office supply area which are not in themselves or in concert any mission-encumbering problem in the event that they would not all be delivered at the same time. So the activity requests that we make partials. However, they also refuse to pay for the partials delivered.

It means that we could have an invoice totaling $4,000 or $5,000 on which there was a $15 Arabic print wheel, as an example, on the order, and we may have delivered $3,990 of it but have to wait the 120 or whatever the number of the days are until we can complete the balance of the order for that specific requirement. And repeated requests for acknowledgement of the provisions of the Prompt Payment Act put us in the uncomfortable position of the contracting officers or the purchasing officers saying, "Well, it's a matter of do you want to do it or do we go to your competitor and purchase the product?"

And I want to make a point with that because I am sure that there were many other people who also had contributions to make who were very hesitant about making their statements public, simply because there are actions which are taken—and this happens every day—if you put too much heat on the finance office, they get back to the purchasing department, and the next thing where you were expecting a certain amount of business from that particular agency, your business is dropped down to the zero area.

The accounts that we have particular problems with again are Aberdeen Proving Grounds, the Bureau of Engraving and Printing, the Navy at Patuxent River, and Navy Military Personnel in Alexandria, VA.

To illustrate what we're concerned with—this is not a problem to be taken lightly—this is a copy of our current accounts receivable just from the Federal Government and just on 45 days and over. Each one of them lists an invoice, the Government paying office. And it gets to be quite an extensive piece of paper.

That concludes my testimony, Senator.

[The prepared statement of Mr. Muehleib follows:]

UNITED STATES SENATE

STATEMENT OF WILLIAM H., MUEHLEIB, PRESIDENT, FEDERAL SALES SERVICE, INC., ALEXANDRIA, VA

Hearing on Implementation of the "Prompt Payment Act of 1982", Public Law 97-177.

Statement of the experiences of Federal Sales Service, Inc., (a small business supplier to activities of the Federal Government through multiple award Federal Supply Schedule contracts) with the utilization of the terms of the "Act" by Federal Government agencies.

Federal Sales Service is one of approximately 6500 members of the National Office Machine Dealers Association who do business with the government for the supply of commercially available product at substantial discounts under negotiated GSA contracts.

These products are those normally required and used in an office environment such as stationary supplies, office machines, furniture and computer support devices.

The rate of return on government purchases is substantially less to the dealer than purchases made in the commercial sector due primarily to the discount demands of the GSA, the printing and distributing of price lists and the administrative requirements necessary in doing Federal Government business.

When you add those factors to that of having to carry government accounts receivables in excess of 90 days, it lessens the willingness of many suppliers to enter the Federal Government supplies business.

The process has a very real effect on small business since few companies have the dollars available from their total accounts receivable to finance government late payment.

The recognition of this fact undoubtedly was one of the prime reasons for the enactment of Public Law 97-177 and this was looked on as a means by which our interest in doing business with the Federal Government as a customer would be renewed.

It is not difficult to provide the committee with benchmarks for measuring the effect the implementation of this act by the agencies has had on the cash flow of small business and more particularly, of Federal Sales Serivce.

I will refer first to Exhibit 1 attached which is a chart of our Federal Government accounts receivable turnover from November 1, 1981 through to October 31, 1985. The first year provides the numbers for the year preceding the Act which was an average payment time of 68 days. The year the Act was in effect from November 1, 1982 to October 31, 1983, the collection time dropped to 66 days and the following year, with a second year of experience, dropped all of another day to 65 days. You will notice as the Federal Government gained further experience the days payment was extended from 65 to 67 days.

I hesitate to estimate what October 1985 might bring unless substantial corrections are made in the serious implementation of the provisions and intent of the "Act".

Exhibit number 2 is a spread sheet identifying the government activities by department listing the dollar amounts and % of delinquency of each department by number of days. This is a picture as of October 31, 1985.

Our total government accounts receivable amounted to $2,214,590.00. $1,194,297.23 of this amount, 53.9% of the total accounts receivable is over 45 days old. 13.5% of this amount is over 120 days old. At the current cost of money, (an average of 1.0% a month) it is costing Federal Sales Service $11,942.97 a month to finance government purchases. The military represents 56.1% of this total amount with the Navy representing 44.4% of the total military accounts receivable. The balance of the report provides a tracking record of payment by major violators of the terms of Pulic Law 97-177.

Exhibit number 3 lists, by report number, the delinquencies of those specific activities with the greatest number of invoices over 45 days. Note that all are military ranging from 52 invoices outstanding from Langley AFB to 23 at the Naval District of Washington. Report #2 lists the five activities with the largest number of activities with unpaid invoices at the 45 day level (14 to 9) and Report #3 lists five specific activities with the largest number of invoices outstanding over 90 days. Langley AFB with 32, Aberdeen Proving Grounds with 23, Navy Military Personnel with 14, Defense Logistics with 12 and the Marine Corps with 12. We did not slight any of the armed forces.

Public Law 97-177 requires late paying government activities to pay interest with their payments to the supplier. As of October 31, 1985, Federal Sales currently has 328 letters written to agencies requesting the payment of interest in the amount of $10,634.05.

This file folder contains the 328 different letters requesting payment.

It was impossible to tabulate the number of times we are requested to furnish, for the second and more times, requests for "proofs of delivery" and a second copy of an invoice. Very seldom do we receive an inquiry concerning an improper invoice within the 15 day time frame. We could readily conclude we have no incorrect invoices until that time that my collections manager, whom we had to hire since the implementation of the Act, calls for payment and is then advised of a problem in invoicing.

Exhibit number 4 lists those activities who claim it is impossible for them to pay "partial" shipments. It is our experience if we, as a company, insist on their paying on partials the activity will shift its purchasing to another supplier. We have had invoices of several thousand dollars go unpaid due to some hard to deliver line items of minimal cost not being delivered. Note that each line item is independent of the other and there is no functional relationship of the operation of a unit being interrupted because of an integral part of a whole not being delivered.

The total dollars due (Exhibit number 5) is $1,444,141.30. Of this, $480,984.11 is 45 days old, $592,065.53 is 60 days old, $154,054.14 is 90 days old and $217,037.52 is over 120 days old.

This tab run represents a listing of all government activities by paying office and invoice number of 45 day and over accounts receivable as of October 31, 1985.

To add to this, Federal Sales Service wrote off $134,756.00 in 1984 as uncollectable and $21,600.88 as of October 1985.

Thank you gentlemen for your interest in attempting to solve this very real problem.

W. H. Muehleib
President
Federal Sales Service, Inc.
6598 Fleet Drive
Alexandria, Virginia 22310

Exhibit No. 1

Government A/R Turnover

			A/R Turnover	
A/R Balance		**Sales**	**No. of Times**	**No. of Days**
10/31/81	631,111			
10/31/82	1,169,672			
Avg. fye				
10/31/82	900,391.50	4,904.477	5.4	68
10/31/82	1,169,672			
10/31/83	1,485,351			
Avg. fye				
10/31/83	1,327,511.50	7,239,204	5.5	66
10/31/83	1,485,351			
10/31/84	2,045,857			
Avg. fye				
10/31/84	1,765,604	9,920,845	5.6	65
10/31/84	2,045.857			
10/31/85	2,214,590			
Avg. fye				
10/31/85	2,130,223.50	11,481,466	5.4	67

Exhibit No. 2

Total Invoices by Type	Total Delinquent		NUMBER OF DAYS OUTSTANDING							
	Total Delinquent		45 - 60		60 - 90		90 - 120		Over 120	
	$	%	$	%	$	%	$	%	$	%
Military	669,256.09	56.1	239,565.90	35.8	262,076.19	39.1	71,759.99	10.8	95,854.01	14.3
Civilian	525,041.14	43.9	171,271.21	32.6	232,448.02	44.3	55,570.64	10.6	65,751.27	12.5
Total	1,194,297.23	100.0	410,837.11	34.4	494,524.21	41.4	127,330.63	10.7	161,605.28	13.5
Military Agencies										
Navy	297,431.00	44.4	107,800.45	36.2	132,907.14	44.7	29,209.70	9.9	27,513.71	9.2
Army	199,044.22	29.8	88,690.76	44.5	77,037.16	38.3	9,890.81	5.0	23,425.49	11.7
Air Force	72,390.48	10.8	23,376.93	32.3	23.616.97	32.7	16,735.10	23.1	8,661.48	11.9
Other Defense	100,390.39	15.0	19,697.76	19.6	28,514.92	28.4	15,924.38	15.9	36,253.33	36.1
Total Military	669,256.09	100.0	239,565.90	35.8	262,076.19	39.1	71,759.99	10.7	95,854.01	14.4
Civilian Agencies										
GSA	192,551.65	36.7	62,300.11	32.3	81,737.23	42.4	32,215.02	16.8	16,299.29	8.5
Treasury	83.894.31	16.0	30,299.39	36.1	33,203.47	39.6	7,543.73	9.0	12,847,72	15.3
H.H.S.	41,280.52	7.8	12,958.75	31.4	20,392.70	49.4	5,125.00	12.4	2,804.07	6.8
Agriculture	8,872.98	1.7	4,755.45	53.6	2,848.61	32.2	363.00	4.0	905.92	10.2
Other Civilian	198,441.68	37.8	60,957.51	30.7	94,266.01	47.5	10,323.89	5.2	32,894.27	16.6
Total Civilian	525,041.14	43.9	171,271.21	32.6	232,448.02	44.3	55,570.64	10.6	65,751.27	12.5

Total Government A/R $2,214,590.00 53.93%

53.9% of Government A/R are delinquent.

October 31, 1985

Exhibit No. 3

FEDERAL SALES SERVICE, INC.
6590 FLEET DRIVE
P. O. BOX 10599
ALEXANDRIA, VIRGINIA 22310-0599

Report #1

Activities which have the largest number of invoices over 45 days.

A.	B.	C.	D.	E.
AF0600 Acctg & Finance ITFW/ACFM, Bldg 15 Langely AFB, VA 23665	AR0775 Finance & Acctg Office 314 Aberdeen Proving Gds Aberdeen, MD 21005	NV0075 HDQ Supply and Services HDQ US Marine Corp Washington, DC 20380	AR0375 Finance & Acctg Div Bldg T-5216 Fort Lee, VA 23801	NV0375 Receipt Control Branch Naval District Wash CD1131-3 WNY/Bldg 176-5 Washington, DC 20374
52 invoices outstanding	46 invoices outstanding	37 invoices outstanding	34 invoices outstanding	23 invoices outstanding

Report #2

Activities which have the largest number of invoices at the 45 day level.

A.	B.	C.	D.	E.
NV0075 HDQ Supply & Services HDQ US Marine Corp Washington, DC 20380	NV0375 Receipt Control Branch Naval District Washington CD1131-3 WNY/Bldg 176-5 Washington, DC 20374	AF4908 Det 1, 76 ALD/ACFMCC Bolling AFB Washington, DC 20332	DE0734 USDE-Ferc Div of Budget & Fin 825 N Capitol St NE Room 4408 Washington, DC 20426	LC0050 Library of Congress Acctg Office/LM 617 101 Independence Ave SE Washington, DC 20540
14 invoices outstanding	13 invoices outstanding	13 invoices outstanding	11 invoices outstanding	9 invoices outstanding

Report #3

Activities which have the largest number of invoices at the 90 day plus level

A.	B.	C.	D.	E.
AF0600 Acctg & Finance ITFW/ACFM, Bldg 15 Langley AFB, VA 23665	AR0775 Finance & Acctg Office 314 Aberdeen Proving Gds Aberdeen, MD 21005	NV8312 Naval Military Personnel Command/Code 16, Rm 1408 Navy Annex Washington, DC 20370	DD0125 Defense Logistics Agency Administrative Support Ctr ATTN: DASC-IS Cameron Station #6 DR #24 Alexandria, VA 22314	NV0075 HDQ Supply & Services HDQ US Marine Corp Washington, DC 20380
32 invoices outstanding	23 invoices outstanding	14 invoices outstanding	12 invoices outstanding	12 invoices outstanding

Exhibit No. 4

Federal Sales Service, Inc
6598 Fleet Drive
Alexandria, Virginia 22310

Accounts That Will Not Pay On Partial Orders Shipped:

A. AR0775
Finance & Accounting Office
314 Aberdeen Proving Grounds
Aberdeen, Maryland 21005

B. TR2242
Bureau Of Engraving &
Printing
14th & D. Street, S.W.
Washington, D.C. 20228

C. NV8601
Comptroller Bldg. 588
Naval Air Test Center
Voucher Pay Section
Patuxent River, Md. 20670

D. NV8312
Naval Military Personnel
Command Code 016, Rm 1408
Navy Annex
Washington, D.C. 20370

Exhibit No. 5

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10/31/65                                 TRIAL BALANCE AS OF 10/31/65 - SLM 071716                                        PAGE 125
CUST                                ORIGINAL INVOICE              ACTIVITY          * - - - - - - - AGED BALANCE - - - - - - - *
 NO    CUSTOMER NAME             NUMBER     DATE      AMOUNT     DATE   TYPE   AMOUNT        45-DAY      60-DAY      90-DAY     120-DAY
455127 USTNEW FAB                101431    7/10/65    200.00                                                         200.00
         CUSTOMER TOTALS                              200.00                                   .00         .00      200.00         .00

         SALESMAN TOTALS                              200.00                                   .00         .00      200.00         .00

         REPORT TOTALS                            1444141.00                             460584.11   582045.83   184054.14   217037.82
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C-7

Senator TRIBLE. That's a good shot for the evening news, you realize. A picture is worth a thousand words.

Mr. Greenhalgh.

STATEMENT OF JACK GREENHALGH, EXECUTIVE VICE PRESIDENT, AMERICAN SYSTEMS ENGINEERING CORP., VIRGINIA BEACH, VA, ACCOMPANIED BY CURTIS HENLEY

Mr. GREENHALGH. Thank you very much for inviting us here today. I will summarize from the statement that has already been reported.

In preparation for today's meeting we reviewed $13 million worth of invoices that have been submitted over the last 18 months, and we did it on a dollar-weighted basis, meaning that the higher the dollar value the more weight it carried in computing the averages.

Of that $13 million, $5 million of it was directly with the Navy. And our experience on our billing of the Navy has been better than those that have testified so far today. Our experience has been an average of 38 days from the date of our invoice to the date of receipt of payment.

Now, across all the customers, there were 1,624 invoices. Payment time varied by individual invoice from 14 days all the way out to 488 days. We have a lot of the slow payment instances, the same as some of the others that have testified on this. But the dollar-weighted average is 38 days and that's satisfactory to us.

On an individual customer basis, when you look at the averages of all invoices for each customer, the fastest-paying customer averages 27 days and the slowest paying customer averages 123 days.

Out of the $5 million in billing to the Navy, approximately $2.5 million was to NAVSEA, the Naval Sea Systems Command, in Washington, DC. On those invoices, we send the invoice to DCAA in Hampton, VA, and they in turn send them directly to the Paying Office in Philadelphia for payment. They do not go via NAVSEA for approval by the technical customer there. We have had an average payment time on those invoices of 33 days, and our experience with the DCAA office in Hampton has been rather bright. We believe that Mr. Bimler and his staff over there have done a great deal to emphasize timely invoice processing. I would hope, others have similar experience with that office. I believe they are doing a fine job.

The next largest group within the Navy customers is the Naval Surface Forces Atlantic Fleet here in Norfolk. For those contracts we send our invoices through a COTR on the Surface Force Commander's staff and he then sends them to the FAADCLANT here in Norfolk.

Our average time on those invoices is 27 days. Now, that disguises the fact that there are some awful long ones buried in there, but the larger dollar value ones are moving through quickly.

In addition to the $5 million in direct invoices to the Government, we have about $6 million in invoices that we send to other prime contractors where we are a subcontractor. Our average payment time there is 70 days. The average by individual prime contractor varies 32 days for the fastest-paying prime contractor to 101 days' average for the slowest-paying prime contractor.

But in that 70 days there is some processing time on the front end when he receives our invoice and on the back end when he pays us, because he does not generally pay us until he has been paid by the Government. He includes our invoices for services in his invoice to the Navy, and does not process our invoice for payment to us until after he gets paid. And in those situations, we think there is about 30 to 40 days' of time in the prime contractor's own processing of our invoice. With the 70-day overall average payment time, we believe this indicates that he is getting paid in 30 to 35 days himself on his own invoices to the Navy.

Overall averages, therefore, would indicate that in our experience, we're doing pretty well getting paid in a reasonable time. We really don't have that big a complaint. Cash flow is the life of a small business, and we appreciate that we are getting paid. We believe that the legislation has helped make this happen.

Senator TRIBLE. Well, Mr. Greenhalgh, if you're experiencing any problems, tell us the nature of the problem so we can get at those.

Mr. GREENHALGH. What we are doing to achieve our payment experience is that we are devoting an extensive effort in tracking lost invoices. We have had to have extra people employed to track every invoice at every step of the way. We do not wait until we are not paid to find out—that we're not going to get paid.

Senator Trible. Are you losing your invoices, Mr. Greenhalgh?

Mr. GREENHALGH. Extensively.

Senator TRIBLE. You are?

Mr. GREENHALGH. Yes, sir.

Senator TRIBLE. Why are you losing your invoices?

Mr. GREENHALGH. I mean our invoices are being lost in the paying system after we submit them. I assume that's what you meant by——

Senator TRIBLE. OK. Who's losing them?

Mr. GREENHALGH. We do not know exactly. All we know is that when we follow up, receipt is not acknowledged. They respond that they have not received the invoice, and this happens frequently.

Senator TRIBLE. Who is it that's losing your invoices?

Mr. GREENHALGH. Well, our worst experience is with FAADCLANT here in Norfolk.

Senator TRIBLE. Now, you have to put that into something that average people will understand. Acronyms——

Mr. GREENHALGH. The Fleet Acounting and Disbursing Center——

Senator TRIBLE [continuing]. Are great when you're working with the Department of Defense, but they're unacceptable here today.

Mr. GREENHALGH. The Fleet Accounting and Disbursing Center here in Norfolk.

Senator TRIBLE. Thank you, sir.

Mr. GREENHALGH. We do run into extensive lost invoices with them, and we have to follow up to acknowledge receipt in order to prevent that from happening. When they do not acknowledge receipt, we submit duplicate invoices right away. This is a lot of paperwork but it results in payment without extensive delay.

Senator TRIBLE. And what agency of Government is that?

Mr. **Greenhalgh**. The Navy, sir.

Senator **Trible**. The Navy.

Mr. **Greenhalgh**. The other problem we have is the same situation that has been discussed earlier today on not paying, interest on invoices on the basis that it's an interim payment. Our contracts run from 1 to 3 years with options. On this basis, we are told that payments on individual invoices are interim payments and so we may be talking about a number of years before the contract is considered completed for purposes of being eligible for payment of interest on late payments.

We are talking about partial execution here where our people have, in fact, provided the service. The services have been accepted by the customer. He has acknowledged receipt of those services, and yet because the contract goes on for a period of time, we are told that payment on monthly invoices are interim payments and are not eligible for payment of interest. We don't believe that this is correct or that this interpretation should be correct under the intent of the Congress. This is not a situation of negotiated progress payments. Our invoices are based upon cost incurred for services completed.

We have also had a great deal of problems with large invoices, where a very small portion of the invoice is being contested. We will have an invoice for thousands of dollars where a $5 item—or even less than $1, in many cases—is being questioned and that invoice will not be paid. We will not be advised that it's not going to be paid until we followup and find out 30 days or 40 days later that it's delayed for some reason. We have to cut a new invoice for the slightly lower uncontested amount, and then when the $5 is approved, which it always has been in the past, we have to submit a new invoice for the $5. That slows down the collection process significantly and creates extensive unnecessary paperwork. The Navy could have paid the uncontested amount on the initial invoice.

We think that the clarification that has been discussed here earlier is needed as to the meaning of the legislation. Clarification of the interim and progress payment issue would be very helpful. We believe that some effort on the part of the Navy to track down what is causing the lost invoices would be very helpful. We believe that the question of interpretation of the act, which seems to be coming up here by others as well as myself, would help a great deal in terms of resolving the problem.

[The prepared statement of Mr. Greenhalgh follows:]

TESTIMONY TO THE SENATE COMMITTEE ON SMALL BUSINESS ON 2 DECEMBER 1985 JACK GREENHALGH, EXECUTIVE VICE PRESIDENT, AMERICAN SYSTEMS ENGINEERING CORPORATION.

GOOD AFTERNOON SENATOR TRIBLE, STAFF MEMBERS, MY NAME IS JACK GREENHALGH. I AM EXECUTIVE VICE PRESIDENT OF AMERICAN SYSTEMS ENGINEERING CORPORATION, WHICH IS BETTER KNOWN BY ITS ABBREVIATED FORM, AmSEC. AmSEC IS A SMALL BUSINESS WHICH PROVIDES PROFESSIONAL ENGINEERING SERVICES TO A WIDE VARIETY OF GOVERNMENT AND COMMERCIAL CLIENTS. OUR CORPORATE HEADQUARTERS IS IN VIRGINIA BEACH, VIRGINIA AND APPROXIMATELY THREE QUARTERS OF OUR 330 EMPLOYEES ARE BASED IN THE HAMPTON ROADS AREA. THE COMPANY ALSO HAS OFFICES IN THE VICINITY OF WASHINGTON (D.C.), PHILADELPHIA, CHICAGO, SAN DIEGO AND SAN FRANSISCO.

WE ARE HAPPY TO HAVE THE OPPORTUNITY TO DISCUSS OUR EXPERIENCE IN ATTEMPTING TO COLLECT OUR ACCOUNTS RECEIVABLE AND THE IMPACT THAT THE PROMPT PAYMENT ACT HAS HAD ON THAT PROCESS.

IN ORDER TO PRESENT OUR EXPERIENCE TO YOU, WE ANALYZED THE LAST $13 MILLION OF COLLECTED INVOICES. THIS COVERS A PERIOD OF APPROXIMATELY 18 MONTHS OF BILLINGS. OUR CALCULATION OF THE AVERAGE TIME THAT INVOICES WERE OUTSTANDING FOR EACH CUSTOMER WAS DOLLAR WEIGHTED. IN OTHER WORDS, THE HIGHER THE VALUE OF THE INVOICE, THE GREATER THE IMPACT THAT THAT INVOICE HAD ON THE RESULT. AS YOU WOULD EXPECT, THE AVERAGE TIME THAT A GIVEN CUSTOMER'S INVOICES ARE OUTSTANDING VARIES WIDELY DEPENDING ON THE CUSTOMER.

OF THE $13 MILLION, $5 MILLION WAS ON DIRECT INVOICES TO THE NAVY. OUR AVERAGE TIME BETWEN DATE OF INVOICE AND RECEIPT OF PAYMENT WAS 38 DAYS. ACROSS ALL OF THE NUMEROUS NAVY CUSTOMER ACTIVITIES THAT ARE REPRESENTED WITHIN THAT STATISTIC, THE AVERAGE PAYMENT TIME FOR ALL THE INVOICES SUBMITTED TO THAT CUSTOMER ACTIVITY VARIED FROM 27 DAYS UP TO 123 DAYS. ACROSS ALL THE CUSTOMERS IN THIS GROUP, THERE WERE A TOTAL OF 1624 INDIVIDUAL INVOICES PROCESSED, WITH THE AGE AT PAYMENT VARYING FROM 14 TO 488 DAYS. THE LARGEST ACTIVITY BY DOLLAR VOLUME WITHIN THE GROUP IS THE NAVAL SEA SYSTEMS COMMAND (NAVSEA) IN WASHINGTON, D.C.. OVER HALF OF THE $5 MILLION OF BILLINGS IN THIS GROUP WERE ON NAVSEA CONTRACTS. THOSE INVOICES ARE SENT FOR PAYMENT VIA THE HAMPTON OFFICE OF THE DCAA. COPIES ARE SENT TO THE APPROPRIATE NAVSEA REPRESENTATIVE BUT THE APPROVAL OF NAVSEA IS NOT REQUIRED TO ACCOMPLISH PAYMENT. AFTER THEY ARE REVIEWED BY DCAA, THEY ARE SENT ON TO PHILADELPHIA FOR PAYMENT. THE AVERAGE PAYMENT TIME ON THESE INVOICES HAS BEEN 33 DAYS. IN THE LAST FOUR YEARS, WE HAVE BEEN CONTINUALLY IMPRESSED AND APPRECIATIVE OF THE RAPID HANDLING OF INVOICES BY THE DCAA OFFICE IN HAMPTON. MR. BIMLER AND HIS STAFF THERE HAVE OBVIOUSLY PLACED SOME VERY SIGNIFICANT MANAGEMENT EMPHASIS ON TIMELY BILL PROCESSING.

THE NEXT LARGEST GOVERNMENT CLIENT IS THE COMMANDER, SURFACE FORCES ATLANTIC FLEET HERE IN NORFOLK. ON THIS CONTRACT, OUR INVOICES ARE SENT TO A CONTRACTING OFFICER'S

TECHNICAL REPRESENTATIVE (COTR) ON THE CLIENT'S STAFF WHERE THEY ARE REVIEWED. THEY ARE THEN SENT TO THE FLEET ACCOUNTING AND DISBURSING CENTER FOR PAYMENT. OUR EXPERIENCE ON THIS FLOW OF INVOICES HAS BEEN AN AVERAGE PAYMENT TIME OF 27 DAYS.

IN ADDITION TO THE $5 MILLION IN DIRECT INVOICES TO THE NAVY, OUR DATA INCLUDED APPROXIMATELY $6 MILLION IN INVOICES THAT HAD BEEN SENT TO OTHER COMPANIES THAT WERE PRIME CONTRACTORS ON NAVY CONTRACTS AND FOR WHICH WE WERE A SUBCONTRACTOR. OUR AVERAGE PAYMENT TIME ON THESE INVOICES WAS 70 DAYS. THE AVERAGES BY INDIVIDUAL PRIME CONTRACTOR VARIED FROM 32 DAYS TO 101 DAYS. IT HAS BEEN OUR EXPERIENCE THAT MOST OF THESE PRIME CONTRACTORS WILL NOT PAY A SUBCONTRACTOR UNTIL THE PRIME HAS RECEIVED PAYMENT FROM THE GOVERNMENT FOR THE SERVICES INVOLVED. IN OTHER WORDS, UNDER THE TERMS OF MOST OF OUR SUBCONTRACTS, THE PRIME CONTRACTOR WILL INVOICE THE GOVERNMENT FOR THE SERVICES THAT WE PROVIDED AS SOON AS HE RECEIVES OUR INVOICE FOR THOSE SERVICES. THE PRIME WILL PAY OUR COMPANY FOR THOSE SERVICES AFTER HE RECEIVES PAYMENT FROM THE GOVERNMENT ON THAT INVOICE. OUR AVERAGE EXPERIENCED PAYMENT TIME OF 70 DAYS, THEREFORE, INCLUDES A CERTAIN AMOUNT OF PROCESSING BY THE PRIME CONTRACTOR BEFORE AND AFTER HIS INVOICE IS BEING PROCESSED BY THE GOVERNMENT. ALTHOUGH WE HAVE NO SPECIFIC DATA TO SUBSTANTIATE IT, WE BELIEVE THAT THIS PRIME CONTRACTOR PROCESSING TIME IS APPROXIMATELY 35 TO 40 DAYS. THIS WOULD MEAN THAT IT IS TAKING THEM BETWEEN 30 AND 35 DAYS

TO GET PAID THEMSELVES BY THE GOVERNMENT.

WHEN VIEWED FROM THE OVERALL AVERAGES STANDPOINT, IT WOULD APPEAR THAT THE GOVERNMENT HAS ACCOMPLISHED A GREAT DEAL IN IMPROVING THE PAYMENT PROCESS AND FOR THIS WE ARE APPRECIATIVE. CASH FLOW IS THE LIFE BLOOD OF A SMALL BUSINESS.

WHILE ACKNOWLEDGING THAT THE AVERAGE PAYMENT TIME ON OUR DIRECT GOVERNMENT BILLINGS IS 38 DAYS, IT IS IMPORTANT THAT YOU ALSO BE AWARE OF SOME OF THE ACTIONS THAT WE HAVE BEEN FORCED TO TAKE TO KEEP IT THAT WAY. THE FREQUENCY WITH WHICH OUR INVOICES BECOME LOST, PARTICULARLY IN THOSE THAT FLOW THROUGH LOCAL GOVERNMENT COTRs TO THE FLEET ACCOUNTING AND DISBURSING CENTER IS VERY DISBURBING. WE HAVE HAD TO EMPLOY A FULL TIME PERSON THAT ATTEMPTS TO FOLLOW EVERY INVOICE TO ASSURE THAT IT HAS BEEN ACKNOWLEDGED AS HAVING BEEN RECEIVED AT EACH STEP. PREVIOUSLY, WE WERE NOT AWARE THAT AN INVOICE WAS LOST UNTIL WE FOLLOWED UP FOR AN OVER DUE PAYMENT. WHILE WE FULLY APPRECIATE THAT THIS FOLLOW UP PROCESS CREATES ADDITIONAL WORKLOAD THROUGHOUT THE PROCESS, IT WAS THE ONLY WAY WE COULD IDENTIFY THE LOST INVOICES WITHOUT AN EXCESSIVE DELAY. IF THE LOSSES HAD NOT BEEN TAKING PLACE WITH UNREASONABLE FREQUENCY, WE WOULD NOT HAVE BEEN WILLING TO ACCEPT THE COST OF THE FOLLOW UP EFFORT.

WE HAVE ALSO EXPERIENCED SITUATIONS IN WHICH LARGE INVOICES ARE HELD UP BY THE COTR BECAUSE OF AN ISSUE THAT HAS A VERY SMALL IMPACT ON THE AMOUNT. IT WOULD HAVE BEEN

ENTIRELY PROPER TO PROCESS THE INVOICE FOR PAYMENT OF THE LOWER UNCONTESTED AMOUNT PENDING RESOLUTION OF THE ISSUE IN QUESTION. IN THAT CASE, THE SUBSTANTIAL PORTION WHICH WAS NOT IN QUESTION WOULD HAVE BEEN IN OUR HANDS. IN ORDER TO AVOID THE DELAY, WE HAVE BEEN FORCED TO PREPARE ENTIRELY NEW INVOICES WITHOUT THE CONTESTED ITEM AND TO SUBSEQUENTLY PREPARE ANOTHER INVOICE FOR THE CONTESTED ITEM WHEN IT IS FINALLY APPROVED FOR PAYMENT. THE ADMINISTRATIVE BURDEN INVOLVED HERE WAS NOT SMALL. WE HAVE EXPERIENCED A LARGE NUMBER OF SUCH SITUATIONS IN WHICH THE CONTESTED AMOUNT IS LESS THAN FIVE DOLLARS ON AN INVOICE FOR THOUSANDS OF DOLLARS. IN MANY CASES THE CONTESTED AMOUNT WAS LESS THAN ONE DOLLAR AND THESE INVOICES WERE NOT PROCESSED FOR PARTIAL PAYMENT. WE ARE ONLY AWARE OF THESE SITUATIONS BECAUSE OF OUR AGGRESSIVE FOLLOW UP ACTIVITY. WE HAVE NEVER RECEIVED THE 15 DAY NOTIFICATION REQUIRED BY THE PROMPT PAYMENT ACT IN THESE OR SIMILAR CASES.

TO THE EXTENT THAT MOST OF THE CONTRACTORS THAT SERVE THE GOVERNMENT ARE FORCED TO EMPLOY THESE EXTRAORDINARY EXPEDITING PRACTICES AND ADMINISTRATIVE BURDENS, THESE COST BECOME PART OF THE OVERHEAD STRUCTURE IN THE INDUSTRY AND IT IS ULTIMATELY PASSED ON TO THE GOVERNMENT.

ONE OF THE MORE SIGNIFICANT ITEMS IMPACTING ON PAYMENT TIMES IS THE FACT THAT SOME CONTRACTS HAVE ONLY A SINGLE INDIVIDUAL AS THE COTR. WHEN THAT INDIVIDUAL IS UNAVAILABLE DUE TO JOB RELATED TRAVEL, VACATION OR

ILLNESS, OUR INVOICES SIMPLY ACCUMULATE IN THE INCOMING BASKETS UNTIL HIS OR HER RETURN. THIS HAS MAJOR IMPACT WHEN IT OCCURS ON A LARGE DOLLAR VALUE CONTRACT. WE BELIEVE THAT THE CLOCK SHOULD START RUNNING UPON RECEIPT BY THE COTR, NOT WHEN IT IS SIGNED AND FORWARDED TO THE PAYING OFFICE.

MORE SIGNIFICANT THAN ANY OF THE PREVIOSLY DISCUSSED ITEMS, THE GOVERNMENT GENERALLY CONSIDERS ALL OF OUR INVOICES AS NOT QUALIFYING FOR INTEREST PAYMENTS UNDER THE ACT. THE MAJORITY OF OUR CONTRACTS RUN FOR A FULL YEAR. WITH THE EXERCISE OF OPTIONS, THEY MAY EXTEND OVER THREE TO FOUR YEARS. WITH DCAA FINAL AUDITS NOT COMPLETED UNTIL MANY YEARS AFTER THE LAST TASK IS COMPLETED, THE CONTRACT MAY NOT BE CONSIDERED TO HAVE BEEN COMPLETED BY THE GOVERNMENT FOR FIVE TO SIX YEARS AFTER INITIAL BILLS START TO FLOW. FOR EXAMPLE, GOVERNMENT CONTRACT WORK WHICH WE BILLED IN LATE 1982 IS NOT YET THROUGH THE FINAL AUDIT PROCESS. SOME PAYING OFFICES CONSIDER OUR BILLINGS UNDER THESE CONTRACTS TO BE INTERIM BILLINGS AND EXEMPT FROM THE PROMPT PAYMENT ACT FOR INTEREST ON LATE PAYMENTS. AS MOST OF OUR BILLINGS FALL INTO THIS GROUP, WE VERY RARELY EXPERIENCE AN INTEREST PAYMENT FROM THE GOVERNMENT. I WANT TO EMPHASIZE THAT OUR BILLINGS ARE ALL FOR SERVICES PREVIOUSLY RENDERED AND ACCEPTED. WE BELIEVE THAT THEY PROPERLY FALL UNDER THE PROVISIONS OF THE ACT WHICH AUTHORIZES PAYMENT OF INTEREST ON INVOICES FOR PARTIAL EXECUTION. IF A MANUFACTURER'S INVOICE COMES UNDER THIS ACT FOR DELIVERY OF 1000 UNITS OF A 2000 UNIT CONTRACT, THEN OUR DELIVERY OF 1000 HOURS OF

COMPLETED SERVICES ON A 2000 HOUR CONTRACT OR TASK SHOULD BE COVERED AS WELL.

IN SUMMARY, OUR EXPERIENCE ON AN OVERALL BASIS HAS RESULTED IN PAYMENTS BEING RECEIVED WITHIN A REASONABLE TIME BUT IT HAS REQUIRED AN EXCESSIVE AND EXPENSIVE FOLLOW UP FOR EARLY IDENTIFICATION OF LOST INVOICES, FREQUENT RESUBMISSION AND LABOR INTENSIVE HAND CARRYING OF DOCUMENTS THROUGH THE PROCESS. SOME INDIVIDUAL INVOICES AND/OR CUSTOMERS ARE SLOWER IN MAKING PAYMENTS THAN THE ACT INTENDED. THERE ALSO APPEARS TO BE A PROBLEM IN A LACK OF COMMON UNDERSTANDING WITHIN THE GOVERNMENT AND OUR INDUSTRY AS TO WHEN THE ACT APPLIES AND WHEN IT DOES NOT.

BASED UPON OUR EXPERIENCE, WE RECOMMEND THAT THE COMMITTEE CONSIDER THE FOLLOWING ACTIONS:

1. USE THE INFORMATION GATHERED FROM THESE HEARINGS TO DEVELOP AND PUBLISH CLEARER GUIDANCE AS TO CONGRESSIONAL INTENT UNDER THE ACT. AMEND THE ACT ITSELF IF NECESSARY.

2. REQUIRE THAT THE TIME FOR PROCESSING OF INVOICES BY THE COTRs BE INCLUDED IN THE TIME COUNTED FOR COMPUTATION OF INTEREST DUE.

3. REQUIRE IMPROVED TRAINING OF COTRs IN THE IMPORTANCE OF TIMELY INVOICE PROCESSING AND IN THE REQUIREMENT FOR 15 DAY NOTICE FOR AN INVOICE THAT IS BEING HELD UP.

4. REQUIRE THAT GOVERNMENT AGENCIES

STOP USING THE INTERIM AND PROGRESS PAYMENT RATIONALE TO AVOID THE INTENT OF THE EXISTING ACT, AT LEAST UNTIL CLARIFYING DIRECTIVES HAVE BEEN DRAFTED AND ~~AND~~ PROVIDED TO THE CONGRESS FOR REVIEW.

THANK YOU FOR THIS OPPORTUNITY TO PRESENT OUR EXPERIENCE UNDER THE PROMPT PAYMENT ACT.

We believe that the time that is taken by Navy COTR's to review undisputed invoices before sending them to a Paying Office should be counted by the Navy in measuring compliance with the Prompt Payment Act. Some COTR's take an extensive amount of time to review invoices and this is not counted by the Navy.

The Act requires that the contractor be notified within 15 days if the payment is going to be delayed. We have never received such notification. This requirement should be enforced.

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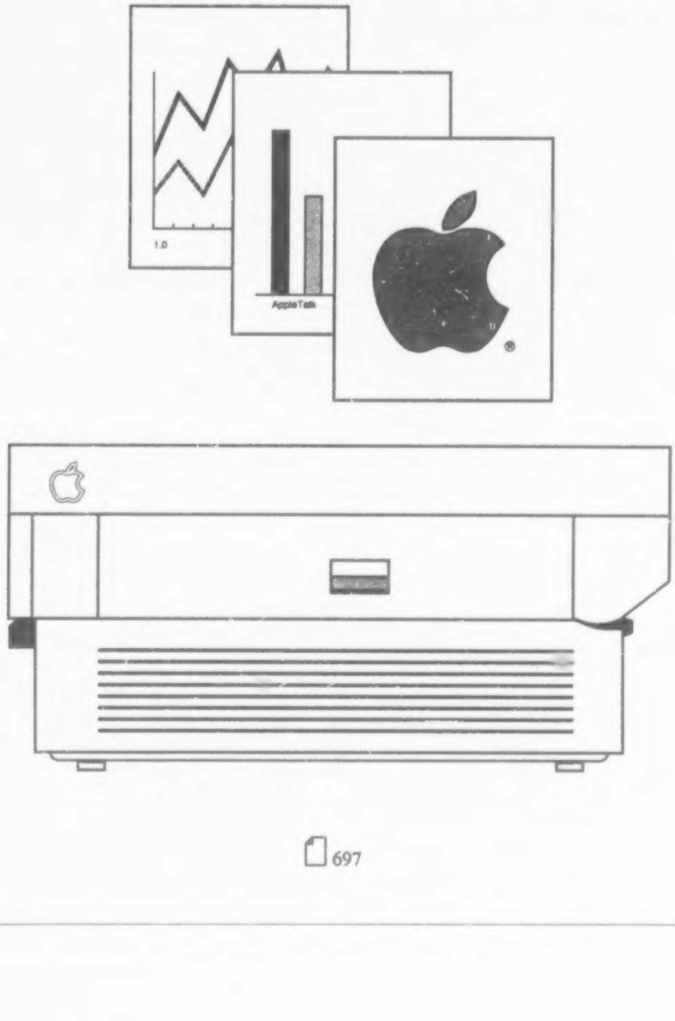
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Senator **Trible**. Let the record reflect that your experience has been generally satisfactory.

Mr. **Greenhalgh**. On a dollar-weighted basis, yes, sir.

Senator **Trible**. On a dollar-weighted basis. I am always intrigued by the use of statistical measures. You can really get them to say most anything. Does that mean that you're satisfied or not, Mr. Greenhalgh?

Mr. **Greenhalgh**. I am satisfied that we are collecting the funds on time, but I am very unsatisfied with the amount of effort and extra cost and manpower that has to go into making that happen.

Senator **Trible**. All right. That's helpful.

You know, this is not intended to be in any way an adversarial enterprise, but rather we want to find out more about the problems that persist and we want to create a situation through legislation or otherwise where those people doing business with the Government are paid in a timely fashion.

It's clear that from your testimony and from the testimony of others that the Prompt Payment Act is a step in the right direction, that it has helped in important ways. But there are some real problems that persist, and we want to try to resolve those. And, you all have made some good suggestions today.

Mr. **Muehleib**. May I add another suggestion, Senator?

Senator **Trible**. Please.

Mr. **Muehleib**. I think it would be wise in the legislation to appoint a prompt payment contact at each activity who would be responsible to the Secretary of the Department or at least to the Assistant Secretary for Administration.

One of the very difficult things to determine when you have a problem is just who do you talk to with your problem? The finance office is not that interested. The contracting office is really not that interested. And you don't feel as if there is anyone responsible for seeing that you collect your money.

It's not a very interested attitude that you get, where if someone had that responsibility within the activity or within the department, I think it would help.

Mr. **Fuentes**. Senator?

Senator **Trible**. Please, Mr. Fuentes.

Mr. **Fuentes**. One other thing. That is, I don't believe that the Congress should judge the success or failure of this Prompt Payment Act by counting the amount of interest that was paid out because it's obvious that we're not getting interest, so they're not counting our delayed payments.

There must be some other way to judge the act to see if it's actually working or not rather than just counting the interest, which I have received a report on, and that's apparently how they do it: "How much interest did the Navy put out last year? Well, that's not bad, so we must be doing a good job at it." But that's not really so.

Senator **Trible**. Well, we want the Navy to pay interest as mandated by the law for payments that are delayed, but ideally we don't want the Government to pay any interest at all. Right?

Mr. **Fuentes**. I would much rather receive my bills in a timely manner than receive interest paid on the late payment.

Senator **Trible**. OK, gentlemen.

Mr. Greenhalgh, would you have anything else to add?

Mr. GREENHALGH. No.

Senator TRIBLE. All right, gentlemen, I thank you for being here today. I know that you have more profitable ways to spend your time. Hopefully, this will be of some benefit to you as well.

Mr. FUENTES. Thank you, Senator.

Senator TRIBLE. All right, now, panel No. 2, Clyde Hoey, president of Grimsley and Grimsley, Portsmouth, VA; Donald Redman on behalf of the Federal Marketing Co., of Virginia Impression Products in Richmond; Joseph Gianascoli, president of the Copy Data Group located in Virginia Beach.

How am I doing? Do you have another name there?

Mr. GIANASCOLI. Douglas Guernsey.

Senator TRIBLE. Yes, Mr. Douglas Guernsey, who is here today as well, speaking on behalf of Guernsey Office Products in Arlington, VA.

Is that correct, Mr. Guernsey?

Mr. GUERNSEY. Yes, sir.

Senator TRIBLE. All right. Well, you all are most welcome. Again, let me just state simply at the outset that your full statements will be made a part of the record. You are invited to summarize your statements, but I want you to take whatever time you deem necessary because we want to flesh out these problems and I want to hear your thoughts and ideas about how we can solve these problems prospectively.

Mr. Gianascoli, why don't we call on you first?

STATEMENT OF JOSEPH M. GIANASCOLI, PRESIDENT, COPY DATA GROUP, VIRGINIA BEACH, VA, ACCOMPANIED BY TENA BRAXTON

Mr. GIANASCOLI. Senator Trible, I want to thank you for inviting us down here and giving us this opportunity to chat with you about the problems that we've been faced with in dealing with the Federal Government. I brought Mrs. Tena Braxton with me. She is our credit manager, and if there are any specific questions you have as to what agencies and what we have to go through in dealing with the Federal Government, I am sure she will be more than happy to provide that information to you.

Senator TRIBLE. Good.

Mr. GIANASCOLI. It's approximately 10 years we've been in business.

Senator TRIBLE. Let me see. Is that a microphone? Do you see that to your left there? Can you pass that over? That is a microphone, I guess. If you would just put in front of you or perhaps hold it, that might make it easier for people in the room to hear your testimony.

Mr. GIANASCOLI. All right.

Senator TRIBLE. Whatever you say is being recorded for posterity, as you can see. We promise not to use it against you.

Mr. GIANASCOLI. OK. Thank you, Senator.

We have been in business approximately 10 years, and during that time we've been doing business with the Government right from the inception.

When the Prompt Payment Act became law in October of 1982, we were doing approximately 26 percent of our annual revenue with the Federal Government. We felt with the Prompt Payment Act that we would be able to expand on our business with the Government and go up to approximately 36 to 40 percent.

I would say that the early part of that year, sir, the Prompt Payment Act did work. We found that our cash flow was speeded up down to, I would say, 35 to 40 days, which to us was quite good. During about the second half of that year it went back up to the 58-to-63-day scenario that we had experienced with the Government prior to that.

Because of this extended period of time that the Government took on paying their bills, we decided to put our major thrust into the commercial sector. And in so doing, we were able to get the business that we were doing with the Government from the 26 percent down to only 4 percent where the majority of our business was being done with commercial accounts.

However, that presented another problem. The majority of our businesses that we were doing business with in the commercial sector were doing business with the Government, and because of that and because of the slow pay that they were experiencing, that presented a problem with us in collecting our moneys from them, that is, kicking it into the 35- to 40-day scenario with that.

Because of those factors, we tried to stay more in line with the commercial sector of this business. I did put with my statement examples that we have experienced even to date as to the slow pay that we are experiencing, which now goes out to approximately 60 to 63 days.

[The prepared statement of Mr. Gianascoli follows:]

A STATEMENT PREPARED FOR THE COMMITTEE ON SMALL BUSINESS

REGARDING PROMPT PAYMENT ACT OF 1982

MADE DECEMBER 1982 NORFOLK, VIRGINIA

BY

JOE GIANASCOLI, PRESIDENT

COPY DATA GROUP

VIRGINIA BEACH, VIRGINIA

Copy Data Group was started April 21st, 1976. Included in the start up were three people with extensive dealings with the federal government, in particular the U.S. Navy. At that time we were marketing only copy machines, supplies and service to the federal government. Since 1981 we also have been marketing typewriters, calculators, word processing equipment, telephone systems, shreading machines, audio visual and graphic services, along with supplies and service for the above products, employing 122 people today.

From our beginning the payments from the government always ran slower than our commercial account flow of payments. Even though we were discounting our products substantially to the governments they still took approximately twice as long to pay as did our commercial accounts. This would be between the 58 to 63 day range. Although this time frame would be totally unacceptable in the commercial sector we lived with it with the government accounts because we were still making what we believed to be at best marginal profit and it gave us additional volume to negotiate a lower price from the manufacturer.

When the Prompt Pay Act became effective October 1, 1982 we felt that not only could we continue to do business with the federal government but possibly increase our share of government business from 26% to 36-40% of our total revenue.

In the beginning the Prompt Pay Act was working. My accounting people tell me that the payments were now reaching us between 35 to 40 days and we actually received interest payment on approximately 4 past due invoices. Unfortunately, by the end of that same year (the governments fiscal 82/83 year) we were back up to 58 to 63 day payment on invoices and more and more invoices were going beyond that. I have attached some sample copies that show what I am talking about.

In addition to the length of time that it was taking to collect monies due us from the federal government they now started demanding lower and lower prices for goods and services that we were supplying to them. As I mentioned earlier that our profits were marginal but we felt that we could live with them and 58 to 63 days as long as our total business (revenue) did not go above 26%. Not only were we back to the government taking that long to pay us but they were now demanding the same goods and services that we were supplying before but at a cost that reduced our profits to between 13 and 18% and insisting on the same services which included delivery, installation, training and warranty. Now it became totally unacceptable. Over the last 2 years our business with the government has gone from 26% down to 4% annually. Because of this we were forced to change marketing directions as did many of my business associates. One has to ask the question "because of these two tactics now employed by the government, (late pay and unreasonable demands) how often must they settle for second and third line goods and services?"

Although I presented two problems that businesses face today in dealing with the government this committee's hearings on addressing one of those area's is certianly welcome in the business sector. Certainly if something can be done about one or both of the areas that I mentioned above then I can see where companies similar to ours would be interested in competing again for the government business where choice and services would again be offered to the government locations throughout the country.

COPY DATA GROUP

Items received and invoiced for in February 1984.

Made numerous calls to activity and was told it had been certified.

Called FAADCLANT and was told they never got.

Called back to activity and was told it would be resubmitted.

Final call to FAADCLANT - we were told activi cancelled contract.

Wrote letter to Diane Worthington - no respon from her either.

STILL HAVING PROBLEMS WITH NAVAL ACTIVITIES

IMPORTANT INFORMATION BELOW

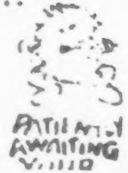
This year while in Washington, D.C., a number of the members attending the credit conference also attended the Legislative Conference. Mac Lee and Ron Rodgers had the opportunity to visit Congressman Norman Sisisky's office. There they spoke to the Staff Director on matters that NACM currently is concerned about. (these are discussed in a later article) The Executive Vice President had the opportunity to speak to Diane Worthington.

NOTE Ms. Worthington has been following up with complaints from companies that are still having problems collecting interest payments and slow payments. You may remember that it was Congressman Sisisky that set up the Prompt Pay hearing in Portsmouth, in January 1984, that the Association testified at on behalf of the membership.

IMPORTANT If you are still having problems collecting from the Navy for what ever reason, send a copy of the invoice and a brief explanation on what you have done so far to:

The Honorable Norman Sisisky
426 Cannon Street
ATTN: Diane Worthington
Washington, D.C. 20515
Phone: 202-225-6365

Ron has been told by Diane that she can solve your problem immediately ~~If~~ you follow the above procedure!!!!!



NACM AT WORK FOR YOU IN WASHINGTON

COPY DATA GROUP

September 12, 1985

Diane Worthington
426 Cannon Street
Washington, D.C. 20515

Dear Ms. Worthington

Attached are several government invoices that we have not been paid for. I read in a NACM newsletter that you were quite effective in securing payment for other companies and thought you may be able to help us. I have attached notes to each invoice to kind of let you know what has been done so far. I really don't know how much information you need so feel free to call me if you need to.

Thank you.

Sincerely,

Tena P. Braxton
Credit Department
(804) 499-7011 ext. 212

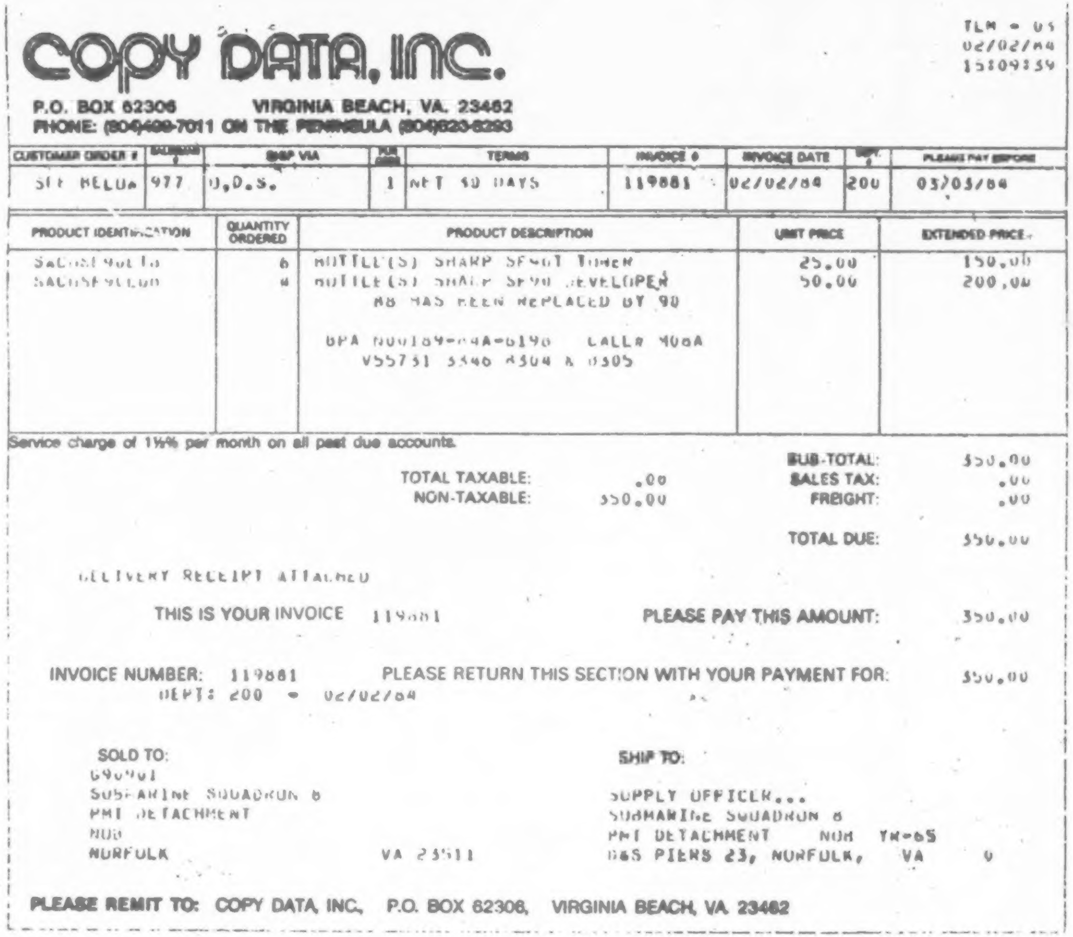
5361 CLEVELAND STREET VIRGINIA BEACH, VA 23462 PHONE (804) 499 7011

COPY DATA GROUP

I have spoken with SK2 Odell several times on this one too. (804) 380-2563

He has assured me that it was submitted for payment.

Faadclant shows that this contract was cancelled and said we would have to get a new call number in order to invoice again.



TLM - 05
02/02/84
15:09:59

COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)820-8293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	NO. CTNS	TERMS	INVOICE #	INVOICE DATE	DEPT. #	PLEASE PAY BEFORE
SEE BELOW	977	O.D.S.	1	NET 30 DAYS	119881	02/02/84	200	03/03/84

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
SACHSF90LTO	6	BOTTLE(S) SHARP SF90T TONER	25.00	150.00
SACHSF90LDD	4	BOTTLE(S) SHARP SF90 DEVELOPER 88 HAS BEEN REPLACED BY 90 BPA N00189-84A-0190 CALL# 408A V55731 5546 8504 & 0505	50.00	200.00

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE:	.00	SUB-TOTAL:	350.00
NON-TAXABLE:	350.00	SALES TAX:	.00
		FREIGHT:	.00
		TOTAL DUE:	350.00

DELIVERY RECEIPT ATTACHED

THIS IS YOUR INVOICE 119881 PLEASE PAY THIS AMOUNT: 350.00

INVOICE NUMBER: 119881 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 350.00
DEPT: 200 - 02/02/84

SOLD TO:
690901
SUBMARINE SQUADRON 6
PMT DETACHMENT
NOB
NORFOLK VA 23511

SHIP TO:
SUPPLY OFFICER...
SUBMARINE SQUADRON 6
PMT DETACHMENT NOB TR-65
D&S PIERS 23, NORFOLK, VA 0

PLEASE REMIT TO: COPY DATA, INC., P.O. BOX 62306, VIRGINIA BEACH, VA 23462

YN1 Livingston 444-7711

CDI

COPY DATA, INC.
5361 Cleveland Street / P.O. Box 62306
Virginia Beach, Virginia 23462

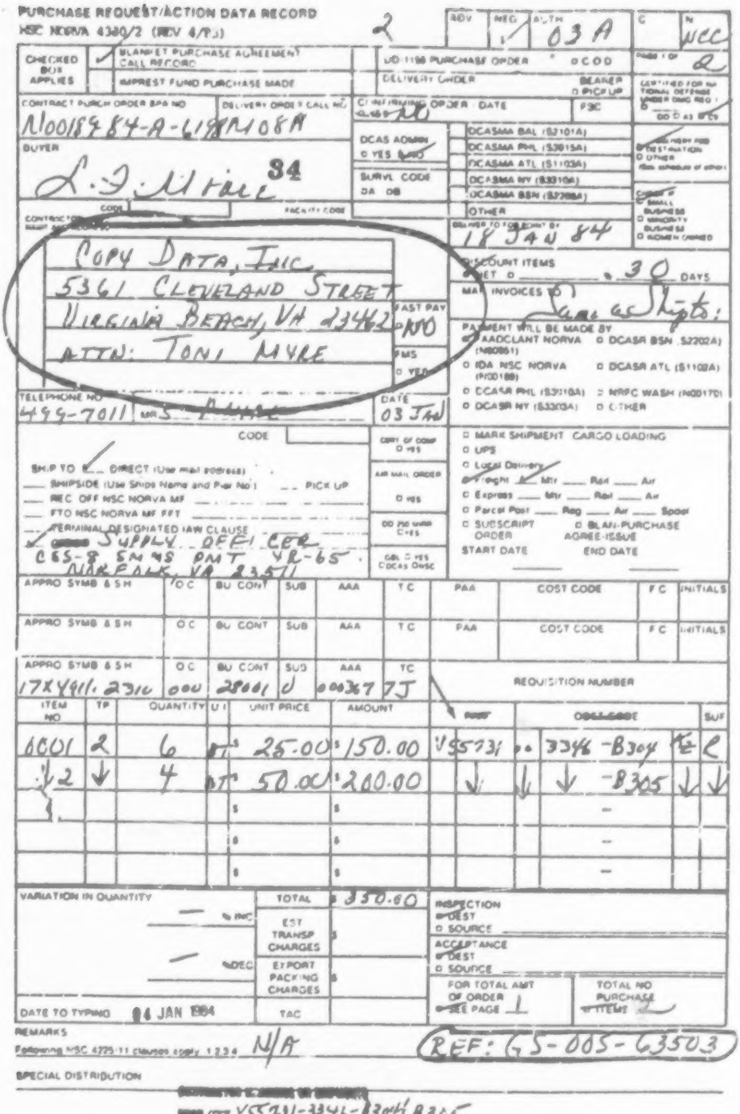
MOVEMENT REPORT
ASAP

Delivered to: Supply Officer
Submarine Squadron 8
PMT Detachment NOB
D&S Piers 23 YR-65
ATTN YN1 LIVINGSTON 4-7711/12

Date 1-24-84
Cust. Order No. Call M08A
BPA N00189-84A-6108

QUANTITY ORDERED	QUANTITY SHIPPED	ITEMS
4 btls	4	Sharp SF 90 LD Developer (B305)
6 btls	6	Sharp SF 90 LT toner V 55731-00 3346-B304

Received by Tommy J Livingood Per ______ Date 84 Feb 02



PURCHASE REQUEST/ACTION DATA RECORD
NSC NORVA 4380/2 (REV 4/83)

2

ADV | NEG 1 | AUTH 03 A | C | N WCC

CHECKED BOX APPLIES: ☑ BLANKET PURCHASE AGREEMENT CALL RECORD ☐ IMPREST FUND PURCHASE MADE

DD 1155 PURCHASE ORDER ○ COD

DELIVERY ORDER — BEARER ○ PICKUP

PAGE 1 OF 2

CERTIFIED FOR NATIONAL DEFENSE UNDER DMS REG 1 — DO ○ A3 ○ C9

CONTRACT PURCH ORDER BPA NO: N00189-84-A-6188

DELIVERY ORDER CALL NO: N108A

CONFIRMING ORDER: NO — DATE — FSC

BUYER: L. J. Mrace 34

DCAS ADMIN ○ YES ~~NO~~

SURVL CODE DA DB

DCASMA BAL (S2101A) / DCASMA PHL (S3915A) / DCASMA ATL (S1103A) / DCASMA NY (S3310A) / DCASMA BSN (S2206A) / OTHER

INSPECTION AND ACCEPTANCE AT DESTINATION ○ OTHER

CHECK IF ○ SMALL BUSINESS ○ MINORITY BUSINESS ○ WOMEN OWNED

DELIVER TO FOB POINT BY: 18 JAN 84

CONTRACTOR — CODE — FACILITY CODE

COPY DATA, INC.
5361 CLEVELAND STREET
VIRGINIA BEACH, VA 23462
ATTN: TONI MYRE

DISCOUNT ITEMS — NET ○ — 30 DAYS

MAIL INVOICES TO: Same as Shpts.

FAST PAY: NO

FMS ○ YES

PAYMENT WILL BE MADE BY:
● AADCLANT NORVA (N60951) ○ DCASR BSN (S2202A)
○ IDA NSC NORVA (N00189) ○ DCASR ATL (S1103A)
○ DCASR PHL (S3110A) ○ NRFC WASH (N00170)
○ DCASR NY (S3303A) ○ OTHER

TELEPHONE NO: 499-7011 — MRS. [illegible]

DATE: 03 JAN

CODE

SHIP TO ✓ DIRECT (Use mail address)
___ SHIPSIDE (Use Ships Name and Pier No.) ___ PICK UP
___ REC OFF NSC NORVA MF
___ FTO NSC NORVA MF FFT
___ TERMINAL DESIGNATED IAW CLAUSE
✓ SUPPLY OFFICER
CSS-8 SMNS PMT VR-65
NORFOLK, VA 23511

COPY OF COMP ○ YES

AIR MAIL ORDER ○ YES

DD 250 MARK ○ YES

GBL ○ YES COCAS ONSC

○ MARK SHIPMENT CARGO LOADING
○ UPS
○ Local Delivery
● Freight ✓ Mtr ___ Rail ___ Air
○ Express ___ Mtr ___ Rail ___ Air
○ Parcel Post ___ Reg ___ Air ___ Spcl
○ SUBSCRIPT ORDER ○ BLAN-PURCHASE AGREE-ISSUE
START DATE ___ END DATE ___

APPRO SYMB & SH	OC	BU CONT	SUB	AAA	TC	PAA	COST CODE	FC	INITIALS

APPRO SYMB & SH	OC	BU CONT	SUB	AAA	TC	PAA	COST CODE	FC	INITIALS

APPRO SYMB & SH	OC	BU CONT	SUB	AAA	TC	REQUISITION NUMBER
17X4911.2310	000	28001	0	000367	7J	

ITEM NO	TP	QUANTITY	UI	UNIT PRICE	AMOUNT						SUF
0001	2	6	DT	$ 25.00	$ 150.00	V	55731	•	3346 -B304		C
2	↓	4	DT	$ 50.00	$ 200.00		↓	↓	↓ -B305	↓	↓
				$	$				–		
				$	$				–		
				$	$				–		

VARIATION IN QUANTITY: — % INC — % DEC

TOTAL: $ 350.00

EST TRANSP CHARGES $

EXPORT PACKING CHARGES $

TAC

INSPECTION ● DEST ○ SOURCE

ACCEPTANCE ● DEST ○ SOURCE

FOR TOTAL AMT OF ORDER ● SEE PAGE 1

TOTAL NO PURCHASE ● ITEMS 2

DATE TO TYPING: 04 JAN 1984

REMARKS
Following NSC 4275/11 clauses apply 1 2 3 4 N/A

REF: GS-005-63503

SPECIAL DISTRIBUTION

[illegible]
[illegible]/TCN Y55731-3346-B304/B305
PO/CONTRACT [illegible]
CALL NO. A108A
MARK FOR CSS-8 SMNS PMT VR-65
[illegible] N/A
[illegible]

MK 1/04 –
D&S Pric
Pub Squa
PMT Detac
NOB

Tena R
1308
~~[illegible]~~

Bauge:
OCSP

CONTRACT/PUR. ORDER/BPA NO./CEL. ORDER/CALL NO.
84-A-6198 / M08A

Page 2 of 2

DOCUMENT IDENTIFIER	ROUTING IDENTIFIER	M&S	MANUFACTURER'S CODE AND PART NUMBER (FSCM / PART NUMBER)	UNIT OF ISSUE	QUANTITY	DOCUMENT NUMBER (SERV / REQUISITIONER / DATE / SERIAL)	
1-3	4-6	7	8-22	23-24	25-29	30-43	
A0E			SF-90T	BT	00005	V5573133468304	

DEMAND	SERV	SUPPLEMENTARY ADDRESS	SIGNAL	FUND CODE	DISTRIBUTION CODE	PROJECT CODE	PRIORITY	REQUIRED DELIVERY DATE	ADVICE CODE	BLANK	REJECT CODE (FOR USE BY SUPPLY SOURCE ONLY)
44	45	46-50	51	52-53	54-56	57-59	60-61	62-64	65-66	67-80	
R	V	55731	K	KZ	9G	JPS	05			FUND CODE CA [redacted]	B ✓

IDENTIFICATION DATA

1. MANUFACTURER'S CODE & PART NO. (When they exceed Card Columns 8 thru 22)

2. MANUFACTURER'S NAME
SHARP KG
12-13-3
68

3. MANUFACTURER'S CATALOG IDENTIFICATION AND DATE
28 83
3300

4. TECHNICAL ORDER NUMBER

5. TECHNICAL MANUAL NUMBER
NA

6. NAME OF ITEM REQUESTED
TONER

7. DESCRIPTION OF ITEM REQUESTED
TONER FOR SHARP 825

7a. COLOR

7b. SIZE

DOCUMENT IDENTIFIER	ROUTING IDENTIFIER	M&S	MANUFACTURER'S CODE AND PART NUMBER (FSCM / PART NUMBER)	UNIT OF ISSUE	QUANTITY	DOCUMENT NUMBER (SERV / REQUISITIONER / DATE / SERIAL)	
1-3	4-6	7	8-22	23-24	25-29	30-43	
A0E			SF90D	BT	00004	V557313346830	

DEMAND	SERV	SUPPLEMENTARY ADDRESS	SIGNAL	FUND CODE	DISTRIBUTION CODE	PROJECT CODE	PRIORITY	REQUIRED DELIVERY DATE	ADVICE CODE	BLANK	REJECT CODE (FOR USE BY SUPPLY SOURCE ONLY)
44	45	46-50	51	52-53	54-56	57-59	60-61	62-64	65-66	67-80	
R	V	55731	K	KZ	9G	JPS	05			FUND CODE CA [redacted]	B

IDENTIFICATION DATA

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2. MANUFACTURER'S NAME
SHARP KG
12-13-3
68

3. MANUFACTURER'S CATALOG IDENTIFICATION AND DATE
3355

4. TECHNICAL ORDER NUMBER

5. TECHNICAL MANUAL NUMBER

6. NAME OF ITEM REQUESTED
DEVELOPER

7. DESCRIPTION OF ITEM REQUESTED
DEVELOPER FOR SHARP 825

PIR & LOGGED
Date 12 28 83
Logger MR

7a. COLOR

7b. SIZE

8. END ITEM APPLICATION AND SOURCE OF SUPPLY
Code 501.210 [redacted]

8a. MAKE

8b. MODEL NUMBER

8c. SERIES

8d. SERIAL NUMBER

9. Requisitioner Text Name and Address
SUPPLY OFFICER
.CSS-8 SPMS PMT
YR-65
NORFOLK,VA. 23511

74
96

10. REMARKS
COPY DATA INC
5361 CLEVELAND ST
VA BEACH,VA. 23462 ATTN: TONI PH 499-7011

DD FORM 1 APR 77 1348-6 EDITION OF 1 MAR 74 MAY BE USED UNTIL EXHAUSTED

NON-NSN REQUISITION (MANUAL)

COPY DATA GROUP

Invoiced according to purchase order on Sept. 24, 1984.

Spoke to the activity on numerous occasions and was assured it had been forwarded for payment.

FAADCLANT said they never got it.

Wrote letter to Diane Worthington. No response from her either.

STILL HAVING PROBLEMS WITH NAVAL ACTIVITIES

IMPORTANT INFORMATION BELOW

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ATTN: Diane Worthington
Washington, D.C. 20515
Phone: 202-225-6365

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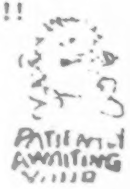


NACM AT WORK FOR YOU IN WASHINGTON

COPY DATA GROUP

September 12, 1985

Diane Worthington
426 Cannon Street
Washington, D.C. 20515

Dear Ms. Worthington

Attached are several government invoices that we have not been paid for. I read in a NACM newsletter that you were quite effective in securing payment for other companies and thought you may be able to help us. I have attached notes to each invoice to kind of let you know what has been done so far. I really don't know how much information you need so feel free to call me if you need to.

Thank you.

Sincerely,

Tena P. Braxton
Credit Department
(804) 499-7011 ext. 212

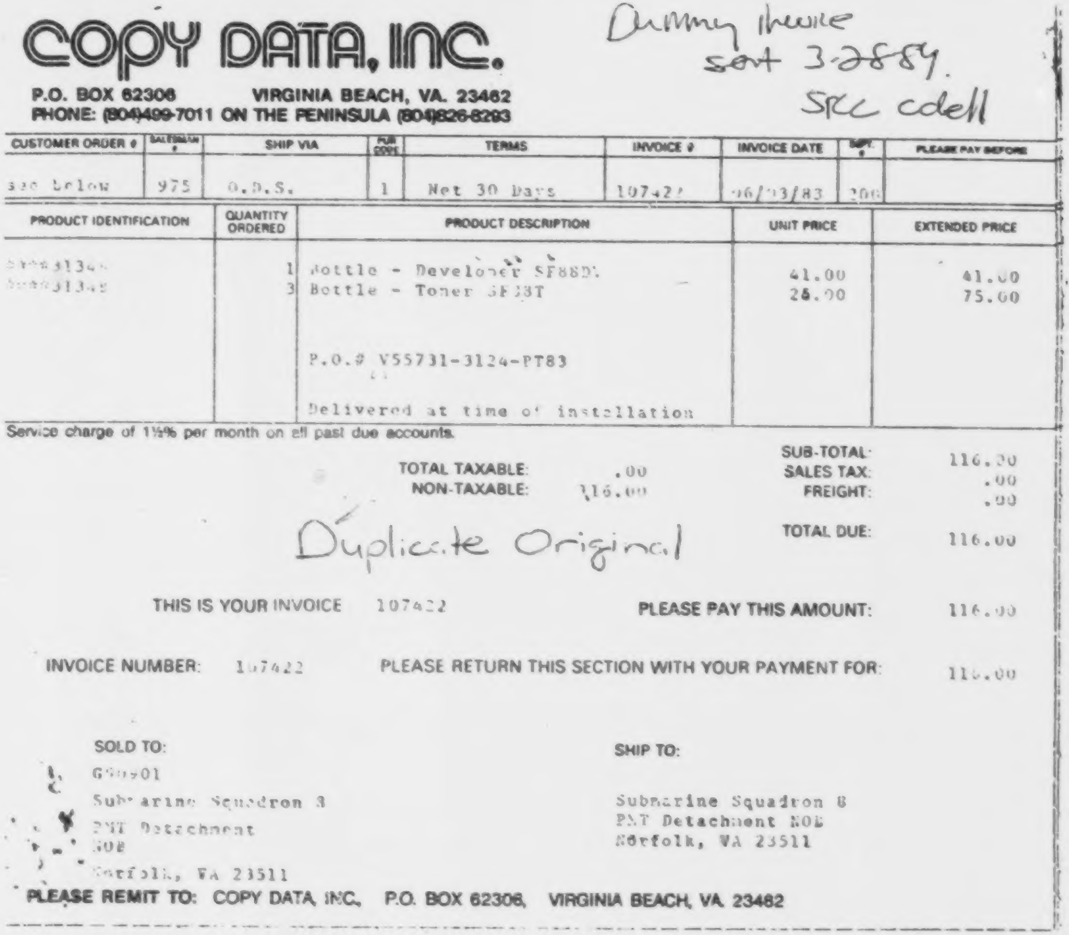
5361 CLEVELAND STREET VIRGINIA BEACH, VA 23462 PHONE (804) 499 7011

COPY DATA GROUP

I have spoken with SK2 Odell several times on this. (804) 380-2563

To date Faadclant has received nothing on this. He has assured me several times that it was submitted to them.

Need to find out who is right.



COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8293

Dummy Invoice
sent 3-28-84.
SRC cdell

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	PUR CODE	TERMS	INVOICE #	INVOICE DATE	[illegible]	PLEASE PAY BEFORE
see below	975	O.D.S.	1	Net 30 Days	107422	06/13/83	200	

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
[illegible]31344	1	Bottle - Developer SF88D	41.00	41.00
[illegible]31348	3	Bottle - Toner SF33T	25.00	75.00
		P.O.# V55731-3124-PT83		
		Delivered at time of installation		

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE: .00
NON-TAXABLE: 116.00

SUB-TOTAL: 116.00
SALES TAX: .00
FREIGHT: .00
TOTAL DUE: 116.00

Duplicate Original

THIS IS YOUR INVOICE 107422

PLEASE PAY THIS AMOUNT: 116.00

INVOICE NUMBER: 107422

PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 116.00

SOLD TO:
G90901
Submarine Squadron 8
PMT Detachment
NOB
Norfolk, VA 23511

SHIP TO:
Submarine Squadron 8
PMT Detachment NOB
Norfolk, VA 23511

PLEASE REMIT TO: COPY DATA, INC. P.O. BOX 62306, VIRGINIA BEACH, VA 23482

Bill

CDI

Submarine Squadron 8
PMT Detachment
NOB
Nor. VA 23511

COPY DATA, INC.

5361 Cleveland Street / P.O. Box 62306
Virginia Beach, Virginia 23462

MOVEMENT REPORT

Cust # G 90901

Delivered to: Submarine Squadron 8
PMT Detachment NOB
Norfolk, Va. 23511

Date 5-3-83

Cust. Order No.
V55731-3124-AT83

QUANTITY ORDERED	QUANTITY SHIPPED	ITEMS
1	1	BTI Developer SF-88DV $41.00
3	3	BTI Toner SF-88T $25.00 EA.

Received by SK2(SS) Per ________ Date 3 May 83

COPY DATA GROUP

Our service department received a call from activity on November 11, 1985, asking us to come out and service copier. The purchase order number given was V67355-5316-0190. Our service dispatcher told them that the number given was a requisition number and we could not accept it. They argued the point and said it was a valid number. They said it was FLEET FAST PAY and FAADCLANT would pay it. Our dispatcher asked for a name and phone number of someone at FAADCLANT that could verify this. He gave her a phone number and after calling that number and staying on hold for ten minutes she hung up. She called activity back and explained that she didn't have time to stay on hold and would he have someone call her back to verify. He said he would. We never heard from him. In the meantime another person at the activity called and placed the service call with another dispatcher giving her a different number. We went out and worked on the copier. When first dispatcher came back from lunch and heard what happened she immediately called the activity and asked for the person who had placed the second service call. He told her that the purchase order number (V67355-86-M-0048) that he had given the other dispatcher was good. She called FAADCLANT and was told it was an invalid number and would not be paid.

She is currently working on trying to secure a valid purchase order or a check for the money owed us.

5361 CLEVELAND STREET, VIRGINIA BEACH, VA 23462 PHONE (804) 499-7011
ON THE PENINSULA 11717 JEFFERSON AVENUE, NEWPORT NEWS, VA 23606 PHONE (804) 826-8290, WILLIAMSBURG (804) 877-6903

CHECKED BOX APPLIES ☒ ORDER FOR SUPPLIES OR SERVICES ☐ REQUEST FOR QUOTATIONS NO

PAGE 1 OF 2

1 CONTRACT PURCH ORDER NO: V67355-86-M-0048

2 DELIVERY ORDER NO:

3 DATE OF ORDER: 85NOV11

4 REQUISITION PURCH REQUEST NO: V67355-5316-0190

6 ISSUED BY:
PURCHASING OFFICER
LFTCLANT,NAB,LCREEK
NORFOLK,VIRGINIA 23521
BLDG 3109,PH#464-8282

7 ADMINISTERED BY (if other than 6):

8 DELIVERY FOB ☐ DEST ☐ OTHER

9 CONTRACTOR/QUOTER — NAME AND ADDRESS:
COPY DATA GROUP
5361 CLEVELAND STREET
VIRGINIA BEACH,VIRGINIA 23462

10 DELIVER TO FOB POINT BY: N/A

11 CHECK IF BUSINESS IS ☐ SMALL ☐ SMALL DISADVANTAGED ☐ WOMEN-OWNED

12 DISCOUNT TERMS: SEE SCHEDULE

13 MAIL INVOICES TO: SEE BLOCK #6

14 SHIP TO: SAME AS #6

15 PAYMENT WILL BE MADE BY:
FLEET ACCOUNTING AND DISBURSING CENTER
U.S. ATLANTIC FLEET,CODE FF,BLDG X132
NAVAL STATION,NORFOLK,VIRGINIA 23513

MARK ALL PACKAGES AND PAPERS WITH CONTRACT OR ORDER NUMBER

16 TYPE OF ORDER:
DELIVERY ☐ This delivery order is subject to instructions contained on this side of form only and is issued on another Government agency or in accordance with and subject to terms and conditions of above numbered contract.
PURCHASE ☒ Reference your TOEL MYRE furnish the following on terms specified herein, including, for U.S. purchases General Provisions of Purchase Order on DD Form 1155r (EXCEPT CLAUSE NO 12 APPLIES ONLY IF THIS BOX ☐ IS CHECKED, AND NO 14 IF THIS BOX IS CHECKED) special provisions and delivery as indicated. This purchase is negotiated under authority of 10 USC 2304 (a)(3) or as specified in the schedule if within the U.S., its possessions or Puerto Rico; if otherwise under 2304(a)(6).
☐ If checked, Additional General Provisions apply. Supplier shall sign "Acceptance" on DD Form 1155r and return copies.

17 ACCOUNTING AND APPROPRIATION DATA — ACCOUNTING CLASSIFICATION (REV 7-68)

ITEM NO	APPROPRIATION SYMBOL AND SUBHEAD	OBJECT CLASS	BUREAU CONT NO	SUB ALLOT	AUTH'N ACCT'G ACT'Y	TRANS TYPE	PROPERTY ACCT'G ACT'Y	COUNTRY	COST CODE	AMOUNT
	1761804.6028	000	53825	0	060951	2D	V67355		0053160190SU	$462.0

18 ITEM NO	19 SCHEDULE OF SUPPLIES/SERVICES	20 QUANTITY ORDERED/ACCEPTED*	21 UNIT	22 UNIT PRICE	23 AMOUNT
1.	This is a MAINTENANCE AGREEMENT for Monthly Maintenance Services which shall be furnished by the contractor and services when requested by the Contracting Officer or a Designated Representative thereof,during the period 85Nov11 until [illegible]. 86SEPT30.				
2.	The Government is oblgated under this agreement only to the extent of authorized service placed against this agreement.				
3.	During a billing period,the contractor shall perform at least one monthly inspecti that will include preventive maintenance based on the specific needs of each unit equipment.				

* If quantity accepted by the Government is same as quantity ordered, indicate by ✓ mark. If different, enter actual quantity accepted below quantity ordered and encircle.

24 UNITED STATES OF AMERICA
BY D. F. WILLIAMS, CAPT, USNC PURCHASING OFFICER

25 TOTAL: $463.00

29 DIFFERENCES:

26 QUANTITY IN COLUMN 20 HAS BEEN ☐ INSPECTED ☐ RECEIVED ☐ ACCEPTED AND CONFORMS TO THE CONTRACT EXCEPT AS NOTED

DATE ____ SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE ____

27 SHIP NO: ☐ PARTIAL ☐ FINAL

28 D.O. VOUCHER NO:

30 INITIALS:

31 PAYMENT ☐ COMPLETE ☐ PARTIAL ☐ FINAL

32 PAID BY:

33 AMOUNT VERIFIED CORRECT FOR:

34 CHECK NUMBER:

35 BILL OF LADING NO:

36 I certify this account is correct and proper for payment.

DATE ____ SIGNATURE AND TITLE OF CERTIFYING OFFICER ____

37 RECEIVED AT:

38 RECEIVED BY:

39 DATE RECEIVED:

40 TOTAL CONTAINERS:

41 S/R ACCOUNT NUMBER:

42 S/R VOUCHER NO:

DD FORM 1155 PREVIOUS EDITIONS ARE OBSOLETE

Invoiced activity on July 8, 1983.

Activity received merchandise on July 8, 198

Sent duplicate original invoice on March 26, 1984.

Received payment on April 6, 1984.

COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8293

Dummy invoice
Sent 3-26-84

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	[illegible]	TERMS	INVOICE #	INVOICE DATE	DEPT #	PLEASE PAY BEFORE
see below	975	.O.D.S.	1	NET 30 DAYS	109097	07/03/83	200	08/07/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****3136B	1	Sharp 700 series stand P.O.# 1356-83	150.00	150.00

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE:	.00	SUB-TOTAL:	150.00
NON-TAXABLE:	150.00	SALES TAX:	.00
		FREIGHT:	.00
		TOTAL DUE:	150.00

THIS IS YOUR INVOICE 109097

PLEASE PAY THIS AMOUNT: 150.00

INVOICE NUMBER: 109097

PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 150.00

SOLD TO:
G1045C
Consolidated Package Store
BLDG SP-17
NAS
Norfolk, VA 23511

SHIP TO:
Consolidated Package Store
Bldg. U110, US Naval Air St.
Norfolk, VA 23511

PLEASE REMIT TO: COPY DATA, INC., P.O. BOX 62306, VIRGINIA BEACH, VA. 23462

CDI RUSH

COPY DATA, INC.

5201 Cleveland Street / P.O. Box 62368
Virginia Beach, Virginia 23462

MOVEMENT REPORT

Delivered to: Consolidated Package Store
Bldg U 110
US Naval Air Station
Norfolk, VA 23511

Date 2/8/83

Cust. Order No. Purchase Order #1356-83

QUANTITY ORDERED	QUANTITY SHIPPED	ITEMS
1 each	1 each	Sharp 700 Series Liberty Stand

Received by __________ For __________ Date 2-11-83

COPY DATA GROUP

BPA Summary Invoice dated October 31, 1983.

Activity said they certified for payment on November 14, 1983.

Received payment February 29, 1984.

CDI COPY DATA, INC.
5361 CLEVELAND STREET, VIRGINIA BEACH, VA 23462, (804) 499-7011, ON THE PENINSULA (804) 826-8293

SUMMARY INVOICE # 344

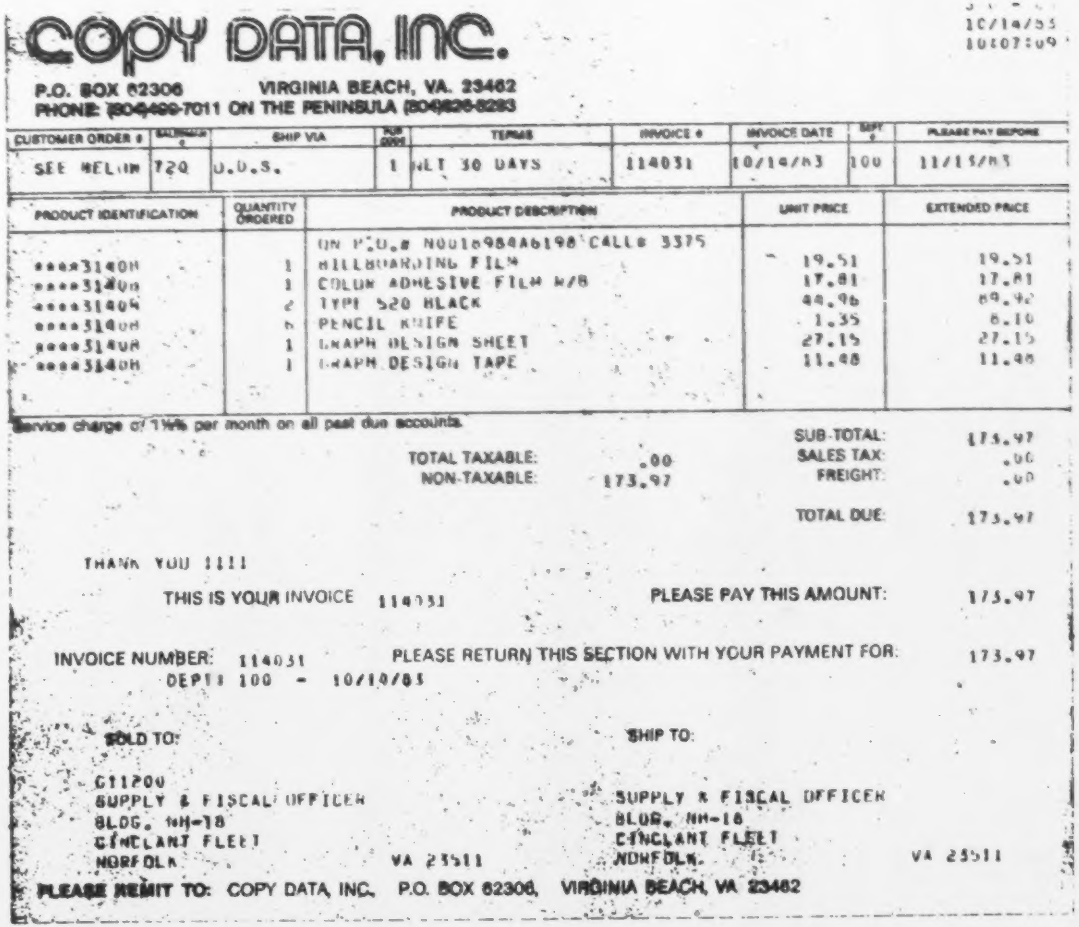
SUMMARY STATEMENT FOR PERIOD ENDING OCTOBER 31, 1983

SUPPLY & FISCAL OFFICER
BLDG. NH-18
CINCLANT FLEET
NORFOLK, VA 23511

BPA # NOO189-84A-6198

CALL NUMBER	INVOICE NUMBER	AMOUNT
3375	114031	$173.97
3376	114231	226.00
3378	114919	90.92

TOTAL CURRENT BALANCE DUE: $490.89



10/14/83
10:07:09

COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE (804)499-7011 ON THE PENINSULA (804)826-8283

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	[illegible]	TERMS	INVOICE #	INVOICE DATE	DEPT #	PLEASE PAY BEFORE
SEE BELOW	720	U.D.S.	1	NET 30 DAYS	114031	10/14/83	100	11/13/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
		ON P.O.# N0016984A6198 CALL# 3375		
****3140H	1	BILLBOARDING FILM	19.51	19.51
****3140H	1	COLOR ADHESIVE FILM W/B	17.81	17.81
****3140H	2	TYPE 520 BLACK	44.96	89.92
****3140H	6	PENCIL KNIFE	1.35	8.10
****3140H	1	GRAPH DESIGN SHEET	27.15	27.15
****3140H	1	GRAPH DESIGN TAPE	11.48	11.48

Service charge of 1½% per month on all past due accounts.

		SUB-TOTAL:	173.97
TOTAL TAXABLE:	.00	SALES TAX:	.00
NON-TAXABLE:	173.97	FREIGHT:	.00
		TOTAL DUE:	173.97

THANK YOU !!!!

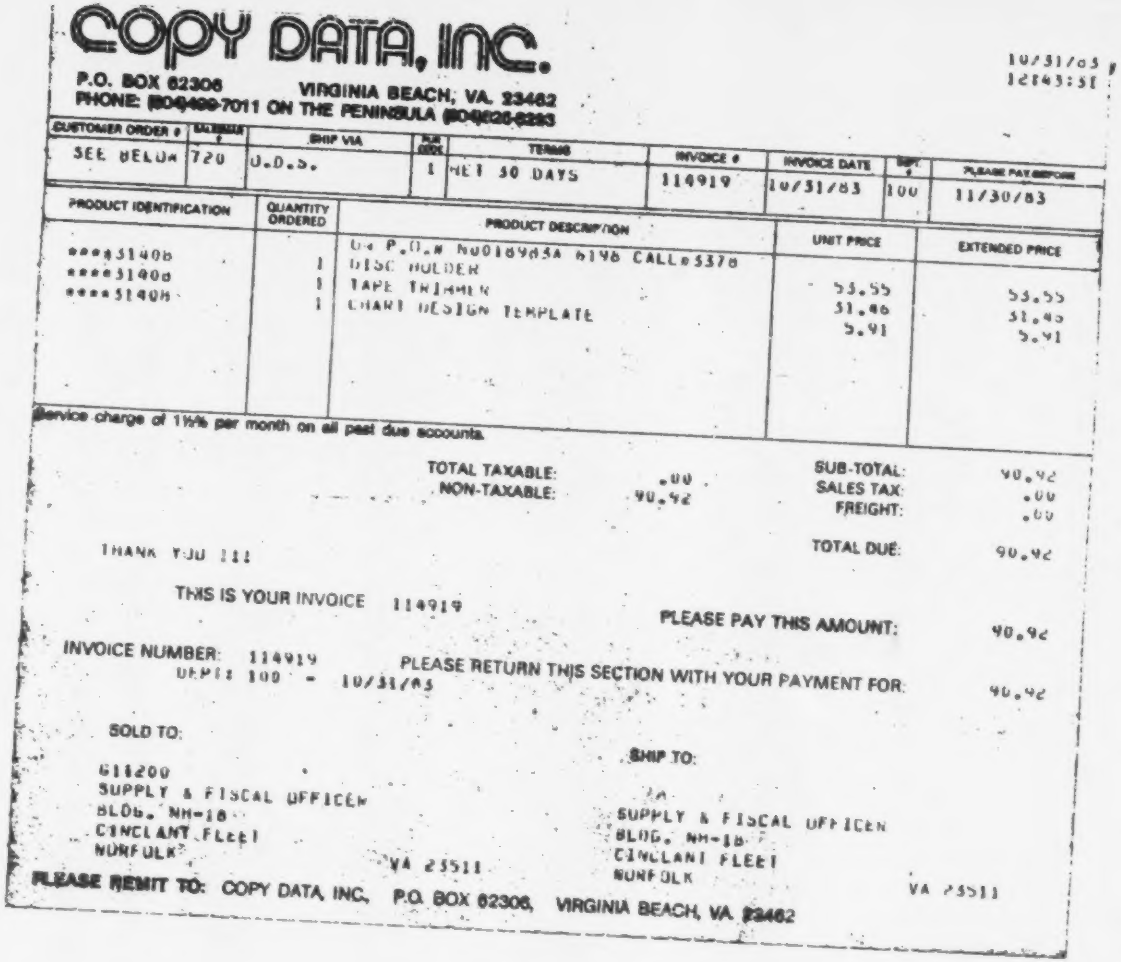
THIS IS YOUR INVOICE 114031 PLEASE PAY THIS AMOUNT: 173.97

INVOICE NUMBER: 114031 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 173.97
DEPT# 100 - 10/14/83

SOLD TO:
C11200
SUPPLY & FISCAL OFFICER
BLDG. NH-18
CINCLANT FLEET
NORFOLK VA 23511

SHIP TO:
SUPPLY & FISCAL OFFICER
BLDG. NH-18
CINCLANT FLEET
NORFOLK VA 23511

PLEASE REMIT TO: COPY DATA, INC. P.O. BOX 62306, VIRGINIA BEACH, VA 23462



COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8283

10/31/83
12:43:51

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	RUN CODE	TERMS	INVOICE #	INVOICE DATE	DEPT. #	PLEASE PAY BEFORE
SEE BELOW	720	U.D.S.	1	NET 30 DAYS	114919	10/31/83	100	11/30/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
		US P.O.# N00189835A 6198 CALL#5378		
****31406	1	DISC HOLDER	53.55	53.55
****31408	1	TAPE TRIMMER	31.46	31.46
****3140H	1	CHART DESIGN TEMPLATE	5.91	5.91

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE:	.00	SUB-TOTAL:	90.92
NON-TAXABLE:	90.92	SALES TAX:	.00
		FREIGHT:	.00
		TOTAL DUE:	90.92

THANK YOU !!!

THIS IS YOUR INVOICE 114919

PLEASE PAY THIS AMOUNT: 90.92

INVOICE NUMBER: 114919
DEPT: 100 - 10/31/83

PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 90.92

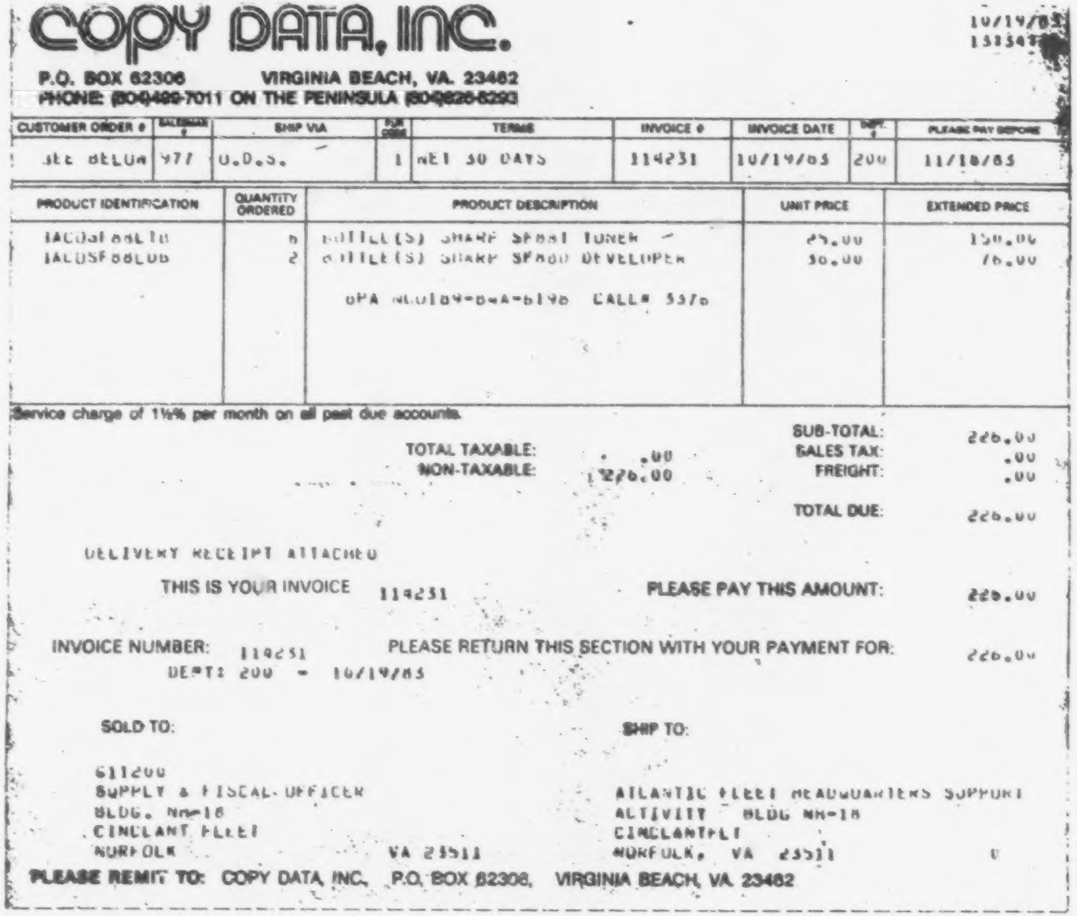
SOLD TO:

611200
SUPPLY & FISCAL OFFICER
BLDG. NH-18
CINCLANT FLEET
NORFOLK VA 23511

SHIP TO:

SUPPLY & FISCAL OFFICER
BLDG. NH-18
CINCLANT FLEET
NORFOLK VA 23511

PLEASE REMIT TO: COPY DATA, INC. P.O. BOX 62306, VIRGINIA BEACH, VA 23462



COPY DATA, INC.

10/19/85
133547

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-6293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	FOB CODE	TERMS	INVOICE #	INVOICE DATE	DEPT. #	PLEASE PAY BEFORE
SEE BELOW	977	U.P.S.	1	NET 30 DAYS	114231	10/19/85	200	11/18/85

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
IACDSF88LT0	6	BOTTLE(S) SHARP SF881 TONER	25.00	150.00
IACDSF88LD0	2	BOTTLE(S) SHARP SF880 DEVELOPER	38.00	76.00
		BPA N00189-84-A-6198 CALL# 3376		

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE:	.00	SUB-TOTAL:	226.00
NON-TAXABLE:	226.00	SALES TAX:	.00
		FREIGHT:	.00
		TOTAL DUE:	226.00

DELIVERY RECEIPT ATTACHED

THIS IS YOUR INVOICE 114231 PLEASE PAY THIS AMOUNT: 226.00

INVOICE NUMBER: 114231 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 226.00
DEPT: 200 - 10/19/85

SOLD TO:

611200
SUPPLY & FISCAL OFFICER
BLDG. NH-18
CINCLANT FLEET
NORFOLK VA 23511

SHIP TO:

ATLANTIC FLEET HEADQUARTERS SUPPORT
ACTIVITY BLDG NH-18
CINCLANTFLT
NORFOLK, VA 23511

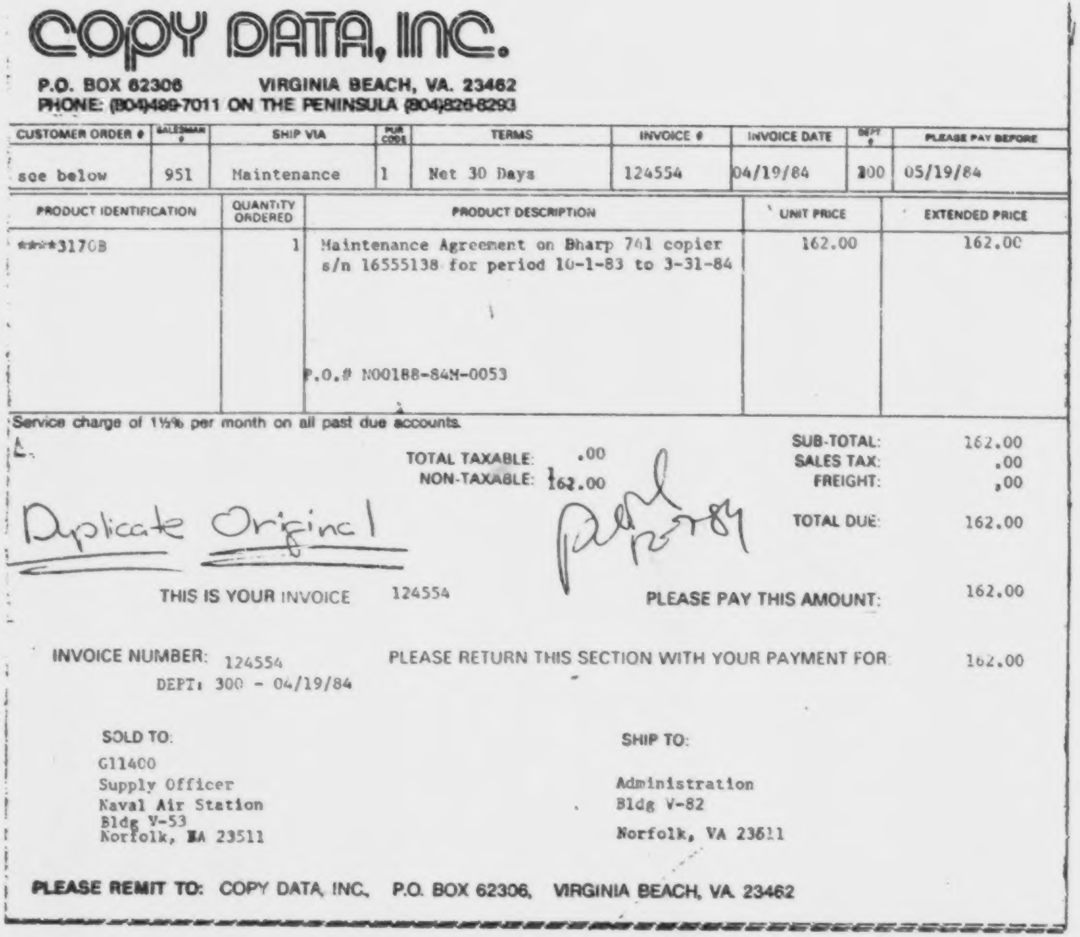
PLEASE REMIT TO: COPY DATA, INC. P.O. BOX 62306, VIRGINIA BEACH, VA 23462

COPY DATA GROUP

Invoiced according to purchase order on April 19, 1984.

Sent duplicate original in November .

Received payment December 7, 1984.



COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	PUR CODE	TERMS	INVOICE #	INVOICE DATE	DEPT #	PLEASE PAY BEFORE
see below	951	Maintenance	1	Net 30 Days	124554	04/19/84	300	05/19/84

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****3170B	1	Maintenance Agreement on Sharp 741 copier s/n 16555138 for period 10-1-83 to 3-31-84 P.O.# N00188-84M-0053	162.00	162.00

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE: .00
NON-TAXABLE: 162.00

SUB-TOTAL: 162.00
SALES TAX: .00
FREIGHT: .00

TOTAL DUE: 162.00

Duplicate Original

THIS IS YOUR INVOICE 124554

PLEASE PAY THIS AMOUNT: 162.00

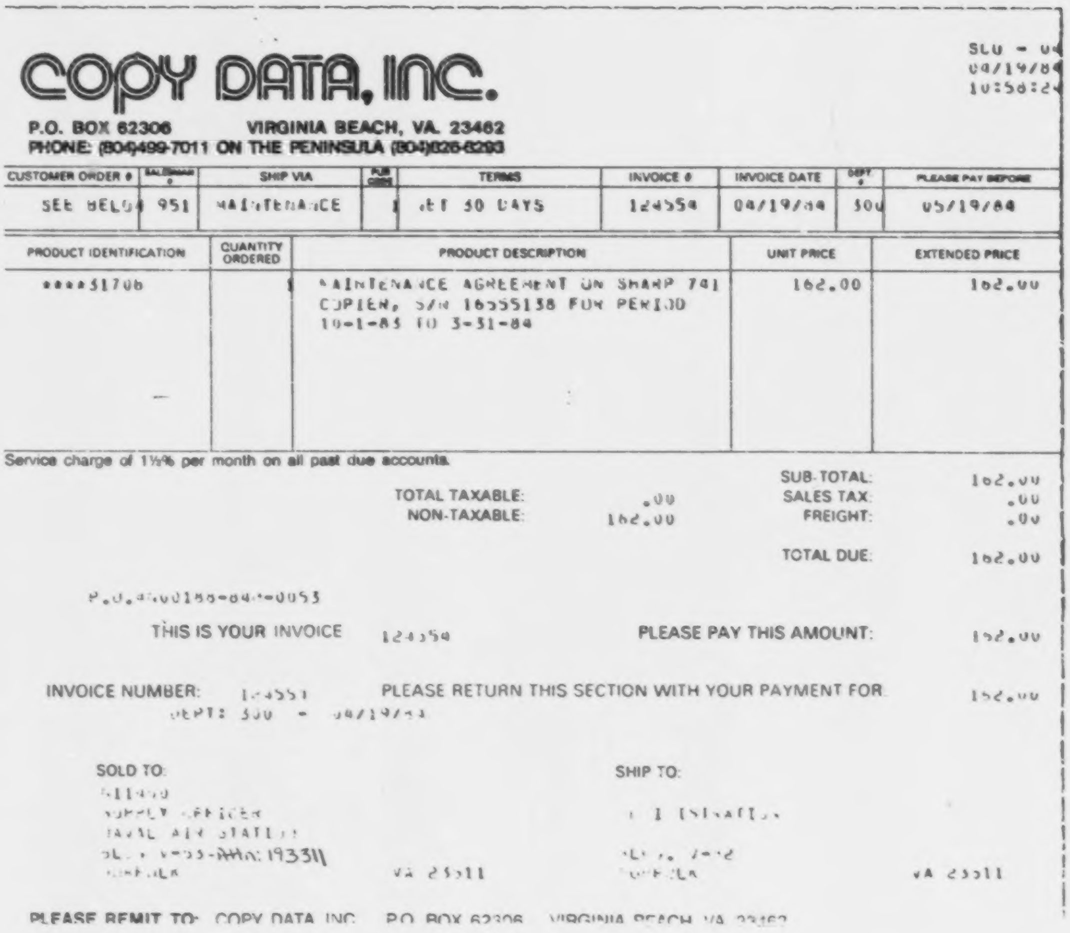
INVOICE NUMBER: 124554
DEPT: 300 - 04/19/84

PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 162.00

SOLD TO:
G11400
Supply Officer
Naval Air Station
Bldg V-53
Norfolk, VA 23511

SHIP TO:
Administration
Bldg V-82
Norfolk, VA 23511

PLEASE REMIT TO: COPY DATA, INC., P.O. BOX 62306, VIRGINIA BEACH, VA 23462



SLU - 04
04/19/84
10:58:24

COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	[illegible]	TERMS	INVOICE #	INVOICE DATE	DEPT #	PLEASE PAY BEFORE
SEE BELOW	951	MAINTENANCE	1	NET 30 DAYS	124554	04/19/84	300	05/19/84

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****31706	1	MAINTENANCE AGREEMENT ON SHARP 741 COPIER, S/N 16555138 FOR PERIOD 10-1-83 TO 3-31-84	162.00	162.00

Service charge of 1½% per month on all past due accounts.

		SUB-TOTAL:	162.00
TOTAL TAXABLE:	.00	SALES TAX:	.00
NON-TAXABLE:	162.00	FREIGHT:	.00
		TOTAL DUE:	162.00

P.O.#N00188-84-0053

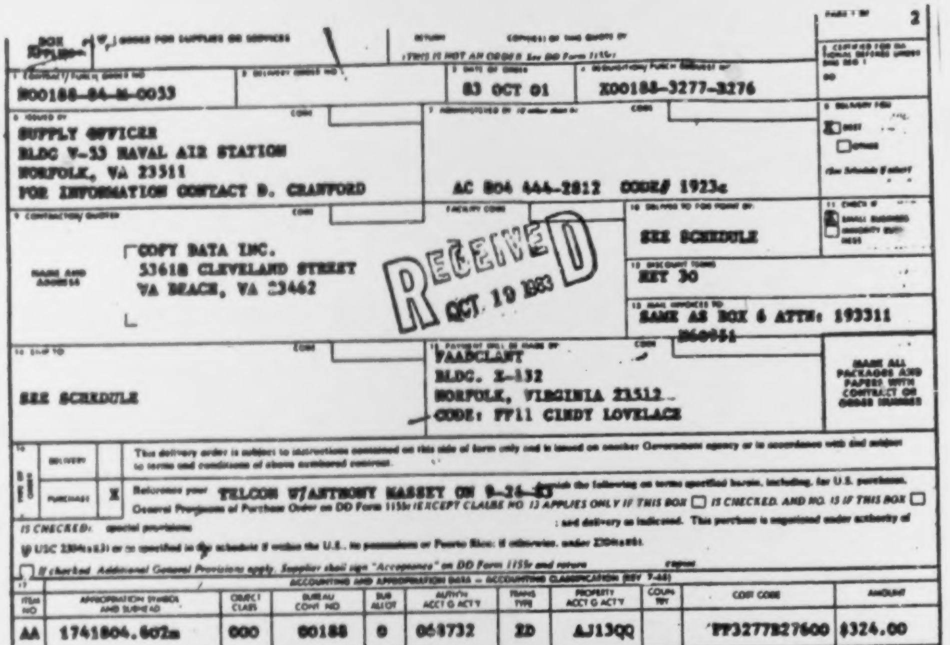
THIS IS YOUR INVOICE 124554 PLEASE PAY THIS AMOUNT: 162.00

INVOICE NUMBER: 124554 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR 162.00
DEPT: 300 - 04/19/84

SOLD TO:
[illegible]
SUPPLY OFFICER
NAVAL AIR STATION
BLDG V-55-~~[illegible]~~ 193311
NORFOLK VA 23511

SHIP TO:
[illegible]
BLDG [illegible]
NORFOLK VA 23511

PLEASE REMIT TO: COPY DATA INC. P.O. BOX 62306 VIRGINIA BEACH VA 23462



PAGE 1 OF 2

(THIS IS NOT AN ORDER See DD Form 1155r)

1. CONTRACT/PURCH ORDER NO.: N00188-84-M-0033

3. DATE OF ORDER: 83 OCT 01

4. REQUISITION/PURCH REQUEST NO.: X00188-3277-3276

6. ISSUED BY:
SUPPLY OFFICER
BLDG V-33 NAVAL AIR STATION
NORFOLK, VA 23511
FOR INFORMATION CONTACT D. CRANFORD

AC 804 444-2812 CODE# 1923c

8. DELIVERY FOB: ☒ DEST ☐ OTHER

9. CONTRACTOR/QUOTER — NAME AND ADDRESS:
COPY DATA INC.
5361B CLEVELAND STREET
VA BEACH, VA 23462

RECEIVED
OCT. 19 1983

10. DELIVER TO FOB POINT BY: SEE SCHEDULE

11. CHECK IF: ☒ SMALL BUSINESS ☐ MINORITY BUSINESS

12. DISCOUNT TERMS: NET 30

13. MAIL INVOICES TO: SAME AS BOX 6 ATTN: 193311 N60951

14. SHIP TO: SEE SCHEDULE

15. PAYMENT WILL BE MADE BY:
FAABCLANT
BLDG. X-132
NORFOLK, VIRGINIA 23512
CODE: FF11 CINDY LOVELACE

MARK ALL PACKAGES AND PAPERS WITH CONTRACT OR ORDER NUMBER

16. TYPE OF ORDER:
DELIVERY ☐ This delivery order is subject to instructions contained on this side of form only and is issued on another Government agency or in accordance with and subject to terms and conditions of above numbered contract.
PURCHASE ☒ Reference your TELCON W/ANTHONY MASSEY ON 9-26-83 furnish the following on terms specified herein, including, for U.S. purchases, General Provisions of Purchase Order on DD Form 1155r (EXCEPT CLAUSE NO. 13 APPLIES ONLY IF THIS BOX ☐ IS CHECKED, AND NO. 15 IF THIS BOX ☐ IS CHECKED); special provisions ; and delivery as indicated. This purchase is negotiated under authority of 10 USC 2304(a)(3) or as specified in the schedule if within the U.S., its possessions or Puerto Rico; if otherwise, under 2304(a)(6).

☐ If checked, Additional General Provisions apply. Supplier shall sign "Acceptance" on DD Form 1155r and return copies.

17. ACCOUNTING AND APPROPRIATION DATA — ACCOUNTING CLASSIFICATION (REV 7-68)

ITEM NO	APPROPRIATION SYMBOL AND SUBHEAD	OBJECT CLASS	BUREAU CONT NO	SUB ALLOT	AUTH'N ACCT'G ACT'Y	TRANS TYPE	PROPERTY ACCT'G ACT'Y	COUN TRY	COST CODE	AMOUNT
AA	1741804.602m	000	00188	0	068732	2D	AJ13QQ		FF3277827600	$324.00

18. ITEM NO	19. SCHEDULE OF SUPPLIES/SERVICES	20. QUANTITY ORDERED/ ACCEPTED*	21. UNIT	22. UNIT PRICE	23. AMOUNT
0001	RENEWAL OF MAINTENANCE SERVICE CONTRACT FOR SHARP COPIER, MODEL 741, S/N 16555136 P/A 239-240 LOCATED AT V-82/ADMIN FOR THE PERIOD 83 OCT 01 THRU 84 SEP 30 AN ANNUAL MAINTENANCE AGREEMENT INCLUDES 12 PREVENTIVE MAINTENANCE CALLS PER YEAR PLUS UNLIMITED EMERGENCY CALLS, INCLUDES LABOR AND DEFECTIVE PARTS (EXCEPT LAMPS)	1	YR		324.00

CONTRACTOR'S COPY

DUPLICATE ORIGINAL

*If quantity accepted by the Government is same as quantity ordered, indicate by ✓ mark. If different, enter actual quantity accepted below quantity ordered and encircle.

24. UNITED STATES OF AMERICA
BY D. CLARK D Clark
CONTRACTING/ORDERING OFFICER

25. TOTAL: $324.00

26. QUANTITY IN COLUMN 20 HAS BEEN ☐ INSPECTED ☐ RECEIVED ☐ ACCEPTED AND CONFORMS TO THE CONTRACT EXCEPT AS NOTED

DATE — SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE

27. SHIP NO.

28. D.O. VOUCHER NO.

29. INITIALS

☐ PARTIAL ☐ FINAL

31. PAYMENT ☐ COMPLETE ☐ PARTIAL ☐ FINAL

32. PAID BY

33. AMOUNT VERIFIED CORRECT FOR

34. CHECK NUMBER

35. BILL OF LADING NO.

36. I certify this account is correct and proper for payment.

DATE — SIGNATURE AND TITLE OF CERTIFYING OFFICER

37. RECEIVED AT

38. RECEIVED BY

39. DATE RECEIVED

40. TOTAL CONTAINERS

41. S/R ACCOUNT NUMBER

42. S/R VOUCHER NO.

DD FORM 1 FEB 77 1155 PREVIOUS EDITION IS OBSOLETE. 2

30, JULY 1966 ES ADMINISTRATION (41 CFR) 1-16.101	CONTINUATION SHEET	REF. NO. OF DOC. BEING CONT'D. N00188-84-M-0053	PAGE 2	OF 2

OFFEROR OR CONTRACTOR
COPY DATA INC.

M NO.	SUPPLIES / SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
	MAINTENANCE RATES ARE BASED ON 60,000 COPIES PER YEAR. MACHINE USAGE IS PROJECTED TO BE 48,000 FOR THE CONTRACT PERIOD SO NO FUNDS ARE ADDED FOR SPECIAL MAINTENANCE. FY83 COVERED UNDER P.O. N00188-83-M-0075 AVAILABILITY OF FUNDS CLAUSE IS ATTACHED AND HEREBY MADE A PART OF THIS ORDER.				

S/N 0108 - LF - 300 - 3870

COPY DATA GROUP

BPA Summary Invoice dated October 31, 1983.

Activity said they certified for payment on November 7, 1983.

Received payment on January 9, 1984.

COPY DATA, INC.
5361 CLEVELAND STREET VIRGINIA BEACH, VA 23462, (804) 499-7011, ON THE PENINSULA (804) 826-8293

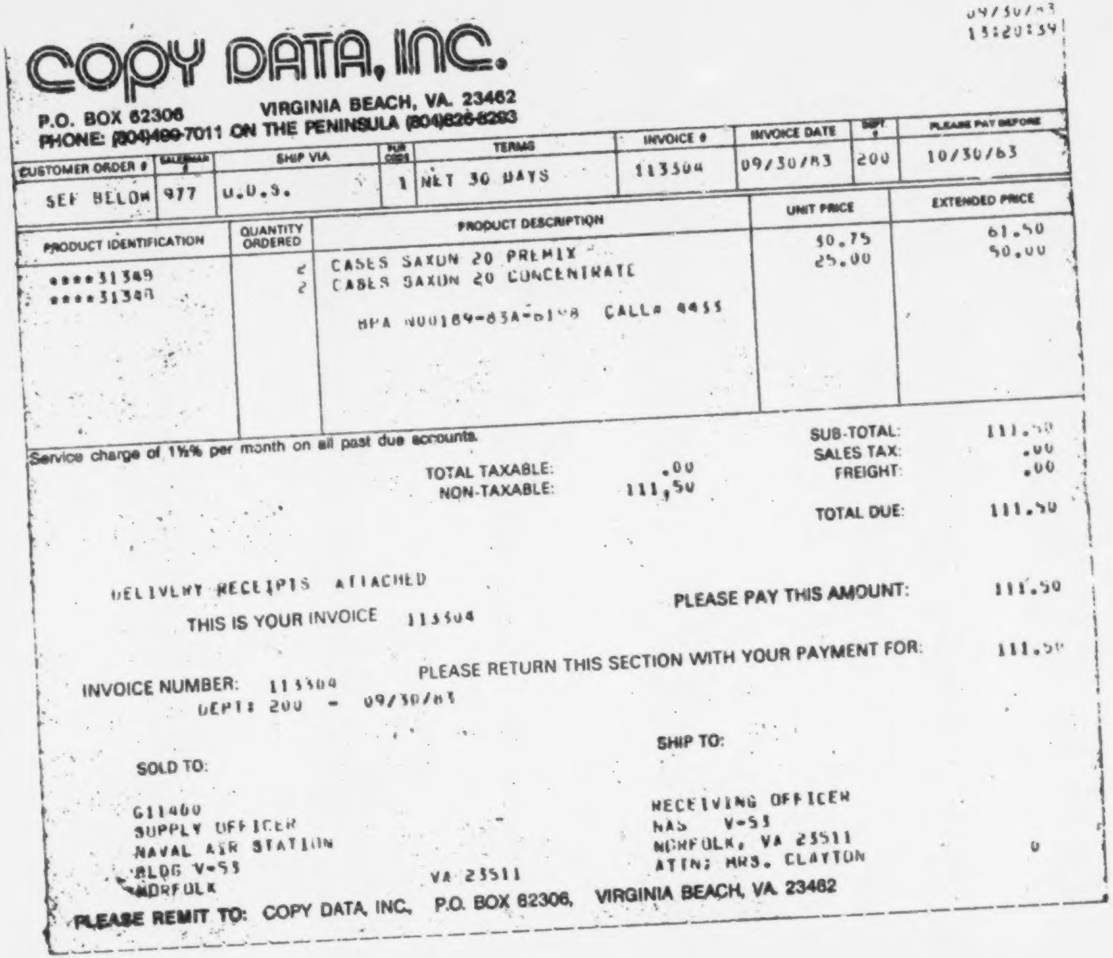
SUMMARY INVOICE # 329

SUMMARY STATEMENT FOR PERIOD ENDING OCTOBER 31, 1983

SUPPLY OFFICER
NAVAL AIR STATION
BLDG. V-53
NORFOLK, VA 23511

BPA # N00189-83A-6198

CALL NUMBER	INVOICE NUMBER	AMOUNT
4433	113304	$ 111.50
4434	113605	370.80
4437	113578	77.50
	Total Current Balance Due:	$ 559.80



09/30/83
13:20:34

COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	PUR CODE	TERMS	INVOICE #	INVOICE DATE	DEPT #	PLEASE PAY BEFORE
SEE BELOW	977	U.D.S.	1	NET 30 DAYS	113304	09/30/83	200	10/30/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****31349	2	CASES SAXON 20 PREMIX	30.75	61.50
****31348	2	CASES SAXON 20 CONCENTRATE	25.00	50.00
		BPA N00189-83A-0198 CALL# 0455		

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE:	.00
NON-TAXABLE:	111,50

SUB-TOTAL:	111.50
SALES TAX:	.00
FREIGHT:	.00
TOTAL DUE:	111.50

DELIVERY RECEIPTS ATTACHED

PLEASE PAY THIS AMOUNT: 111.50

THIS IS YOUR INVOICE 113304

PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 111.50

INVOICE NUMBER: 113304
DEPT: 200 - 09/30/83

SOLD TO:

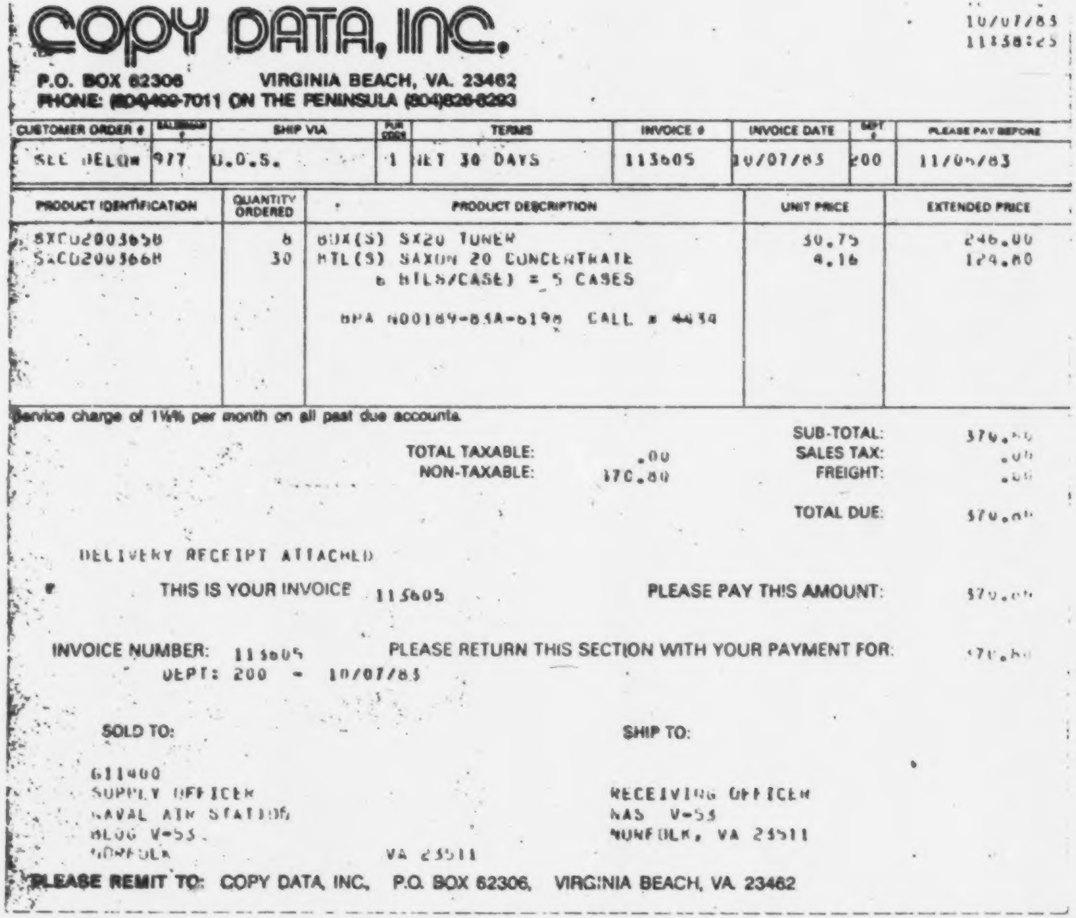
G11400
SUPPLY OFFICER
NAVAL AIR STATION
BLDG V-53
NORFOLK VA 23511

SHIP TO:

RECEIVING OFFICER
NAS V-53
NORFOLK, VA 23511
ATTN: MRS. CLAYTON

0

PLEASE REMIT TO: COPY DATA, INC., P.O. BOX 62306, VIRGINIA BEACH, VA 23462



COPY DATA, INC.

10/07/83
11:38:25

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	PUR CODE	TERMS	INVOICE #	INVOICE DATE	DEPT #	PLEASE PAY BEFORE
SEE BELOW	977	U.O.S.	1	NET 30 DAYS	113605	10/07/83	200	11/06/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
SXCU2003658	8	BOX(S) SX20 TONER	30.75	246.00
SXCU200366H	30	BTL(S) SAXON 20 CONCENTRATE 6 BTLS/CASE) = 5 CASES	4.16	124.80
		BPA N00189-83A-6198 CALL # 4434		

Service charge of 1½% per month on all past due accounts.

		SUB-TOTAL:	370.80
TOTAL TAXABLE:	.00	SALES TAX:	.00
NON-TAXABLE:	370.80	FREIGHT:	.00
		TOTAL DUE:	370.80

DELIVERY RECEIPT ATTACHED

THIS IS YOUR INVOICE 113605 PLEASE PAY THIS AMOUNT: 370.80

INVOICE NUMBER: 113605 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 370.80
DEPT: 200 - 10/07/83

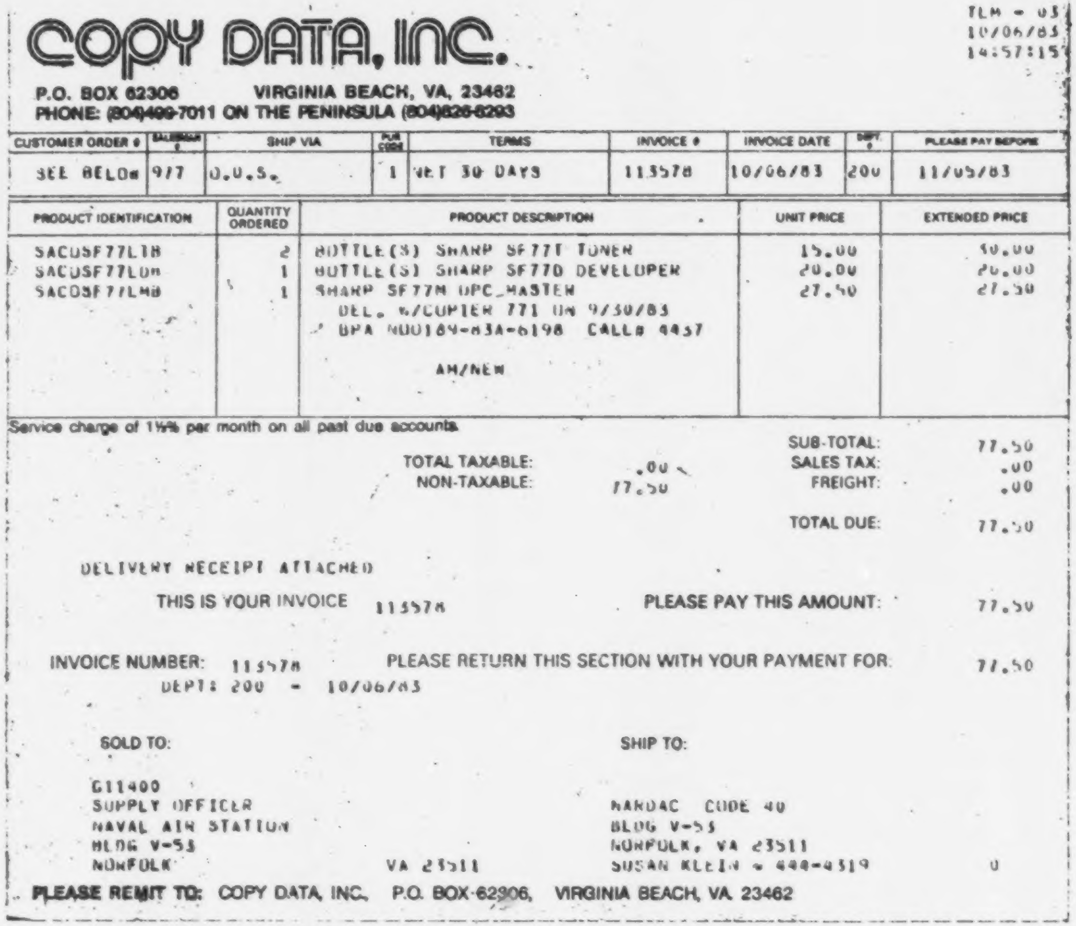
SOLD TO:

611400
SUPPLY OFFICER
NAVAL AIR STATION
BLDG V-53.
NORFOLK VA 23511

SHIP TO:

RECEIVING OFFICER
NAS V-53
NORFOLK, VA 23511

PLEASE REMIT TO: COPY DATA, INC., P.O. BOX 62306, VIRGINIA BEACH, VA. 23462



TLM - 03
10/06/83
14:57:15

COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA, 23482
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	PUR CODE	TERMS	INVOICE #	INVOICE DATE	DEPT #	PLEASE PAY BEFORE
SEE BELOW	977	U.U.S.	1	NET 30 DAYS	113578	10/06/83	200	11/05/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
SACUSF77LTB	2	BOTTLE(S) SHARP SF77T TONER	15.00	30.00
SACUSF77LDB	1	BOTTLE(S) SHARP SF77D DEVELOPER	20.00	20.00
SACUSF77LMB	1	SHARP SF77M OPC_MASTER DEL. W/COPIER 771 ON 9/30/83 BPA N00189-83A-6198 CALL# 4437 AM/NEW	27.50	27.50

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE:	.00	SUB-TOTAL:	77.50
NON-TAXABLE:	77.50	SALES TAX:	.00
		FREIGHT:	.00
		TOTAL DUE:	77.50

DELIVERY RECEIPT ATTACHED

THIS IS YOUR INVOICE 113578 PLEASE PAY THIS AMOUNT: 77.50

INVOICE NUMBER: 113578 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 77.50
DEPT: 200 - 10/06/83

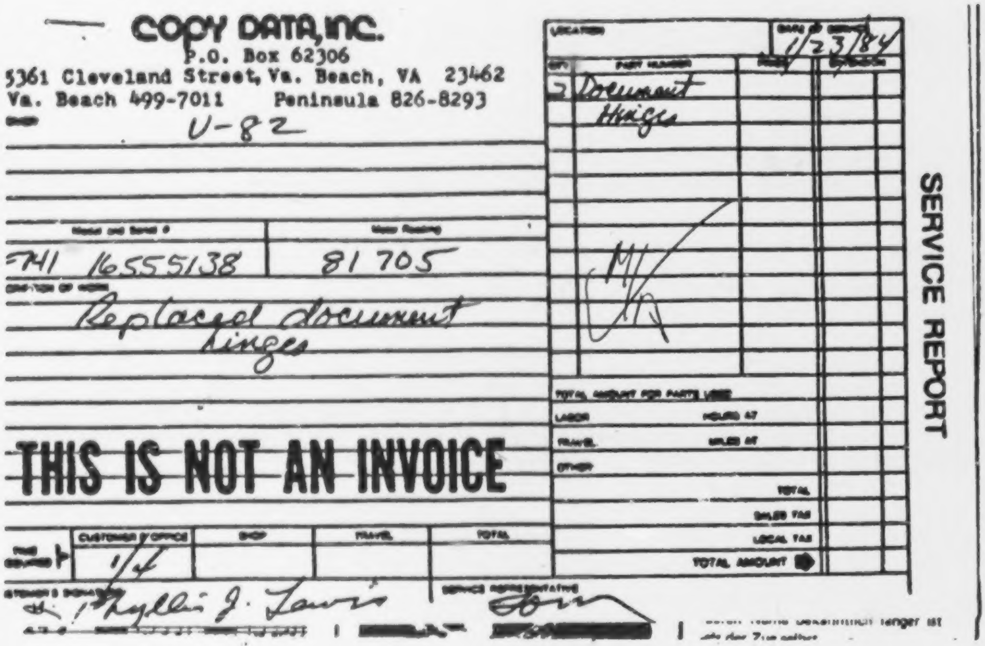
SOLD TO:

G11400
SUPPLY OFFICER
NAVAL AIR STATION
BLDG V-53
NORFOLK VA 23511

SHIP TO:

NARDAC CODE 40
BLDG V-53
NORFOLK, VA 23511
SUSAN KLEIN - 444-4319 0

PLEASE REMIT TO: COPY DATA, INC. P.O. BOX 62306, VIRGINIA BEACH, VA 23462



COPY DATA, INC.
P.O. Box 62306
5361 Cleveland Street, Va. Beach, VA 23462
Va. Beach 499-7011 Peninsula 826-8293

U-82

Model and Serial #	Meter Reading
FH1 16555138	81 705

Description of Work
Replaced document hinges

THIS IS NOT AN INVOICE

Time Required	Customer's Office	Shop	Travel	Total
	1/4			

Customer's Signature Phyllis J. Lewis
Service Representative

[redacted] [redacted]

Location
Date of Service 1/23/84

Qty	Part Number	Price	Extension
2	Document Hinges		

Total Amount for Parts Used
Labor Hours at
Travel Miles at
Other
Total
Sales Tax
Local Tax
Total Amount

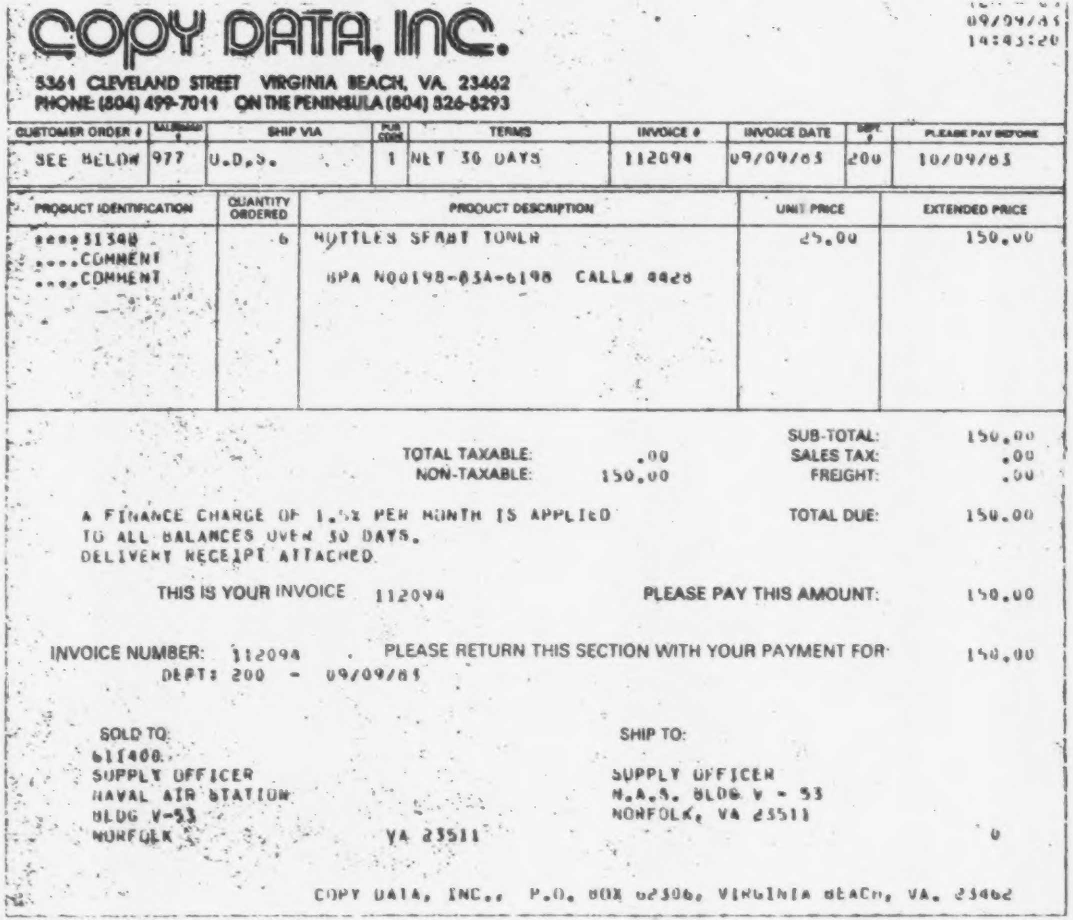
SERVICE REPORT

COPY DATA GROUP

BPA Summary invoice dated September 30, 1983.

Activity said they certified for payment on October 11, 1983.

Received payment on two seperate checks, one dated January 4, 1984 and one dated January 9 1984.



COPY DATA, INC.
5361 CLEVELAND STREET VIRGINIA BEACH, VA. 23462
PHONE: (804) 499-7011 ON THE PENINSULA (804) 826-8293

09/09/83
14:43:20

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	PUR CODE	TERMS	INVOICE #	INVOICE DATE	DEPT. #	PLEASE PAY BEFORE
SEE BELOW	977	U.P.S.	1	NET 30 DAYS	112094	09/09/83	200	10/09/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****31340 ....COMMENT ....COMMENT	6	BOTTLES SHARP TONER BPA N00198-83A-6198 CALL# 4428	25.00	150.00

		SUB-TOTAL:	150.00
TOTAL TAXABLE:	.00	SALES TAX:	.00
NON-TAXABLE:	150.00	FREIGHT:	.00
		TOTAL DUE:	150.00

A FINANCE CHARGE OF 1.5% PER MONTH IS APPLIED
TO ALL BALANCES OVER 30 DAYS.
DELIVERY RECEIPT ATTACHED

THIS IS YOUR INVOICE 112094 PLEASE PAY THIS AMOUNT: 150.00

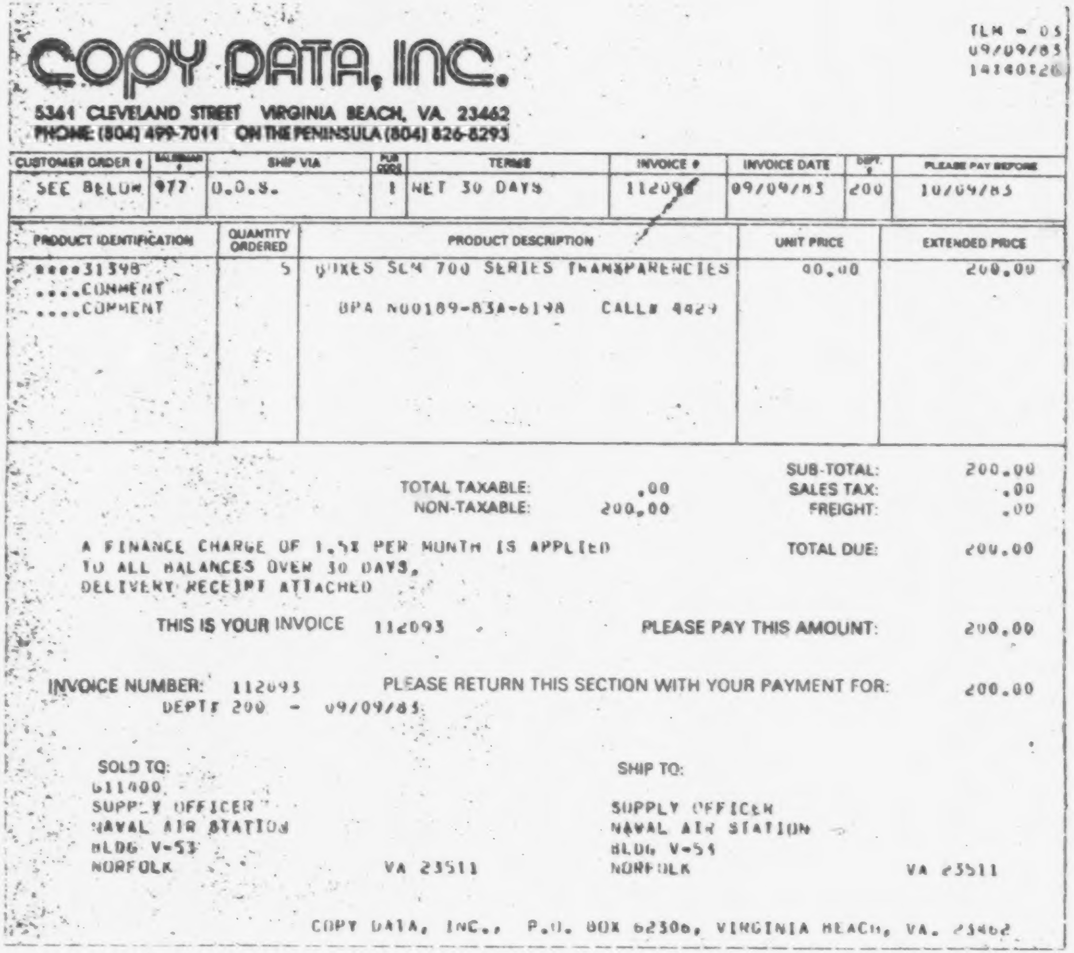
INVOICE NUMBER: 112094 . PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR 150.00
DEPT: 200 - 09/09/83

SOLD TO:
611400
SUPPLY OFFICER
NAVAL AIR STATION
BLDG V-53
NORFOLK VA 23511

SHIP TO:
SUPPLY OFFICER
N.A.S. BLDG V - 53
NORFOLK, VA 23511

0

COPY DATA, INC., P.O. BOX 62306, VIRGINIA BEACH, VA. 23462



TLM - 05
09/09/83
14140126

COPY DATA, INC.

5341 CLEVELAND STREET VIRGINIA BEACH, VA. 23462
PHONE (804) 499-7011 ON THE PENINSULA (804) 826-8293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	FOB CODE	TERMS	INVOICE #	INVOICE DATE	DEPT. #	PLEASE PAY BEFORE
SEE BELOW	977	O.O.S.	1	NET 30 DAYS	112093	09/09/83	200	10/09/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****31398	5	BOXES SCM 700 SERIES TRANSPARENCIES	40.00	200.00
....COMMENT				
....COMMENT		BPA N00189-83A-6198 CALL# 4429		

TOTAL TAXABLE:	.00	SUB-TOTAL:	200.00
NON-TAXABLE:	200.00	SALES TAX:	.00
		FREIGHT:	.00

A FINANCE CHARGE OF 1.5% PER MONTH IS APPLIED
TO ALL BALANCES OVER 30 DAYS.
DELIVERY RECEIPT ATTACHED

TOTAL DUE: 200.00

THIS IS YOUR INVOICE 112093

PLEASE PAY THIS AMOUNT: 200.00

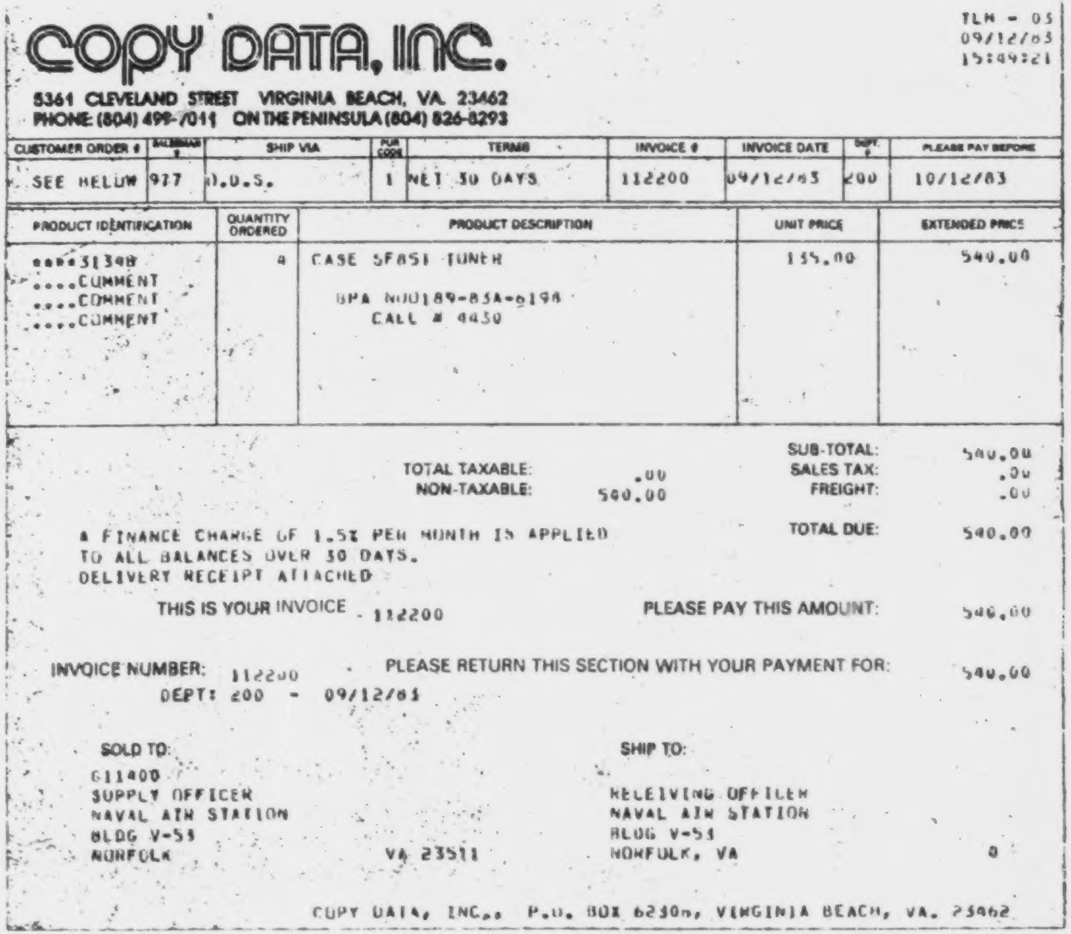
INVOICE NUMBER: 112093
DEPT# 200 - 09/09/83

PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 200.00

SOLD TO:
611400
SUPPLY OFFICER
NAVAL AIR STATION
BLDG V-53
NORFOLK VA 23511

SHIP TO:
SUPPLY OFFICER
NAVAL AIR STATION
BLDG V-53
NORFOLK VA 23511

COPY DATA, INC., P.O. BOX 62306, VIRGINIA BEACH, VA. 23462



TLM - 05
09/12/83
15:49:21

COPY DATA, INC.

5361 CLEVELAND STREET VIRGINIA BEACH, VA. 23462
PHONE: (804) 499-7011 ON THE PENINSULA (804) 826-8293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	FOB CODE	TERMS	INVOICE #	INVOICE DATE	DEPT. #	PLEASE PAY BEFORE
SEE BELOW	977	U.D.S.	1	NET 30 DAYS	112200	09/12/83	200	10/12/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****31348 ....COMMENT ....COMMENT ....COMMENT	4	CASE SF851 TONER BPA N00189-83A-6198 CALL # 4430	135.00	540.00

		SUB-TOTAL:	540.00
TOTAL TAXABLE:	.00	SALES TAX:	.00
NON-TAXABLE:	540.00	FREIGHT:	.00
		TOTAL DUE:	540.00

A FINANCE CHARGE OF 1.5% PER MONTH IS APPLIED
TO ALL BALANCES OVER 30 DAYS.
DELIVERY RECEIPT ATTACHED

THIS IS YOUR INVOICE - 112200

PLEASE PAY THIS AMOUNT: 540.00

INVOICE NUMBER: 112200
DEPT: 200 - 09/12/83

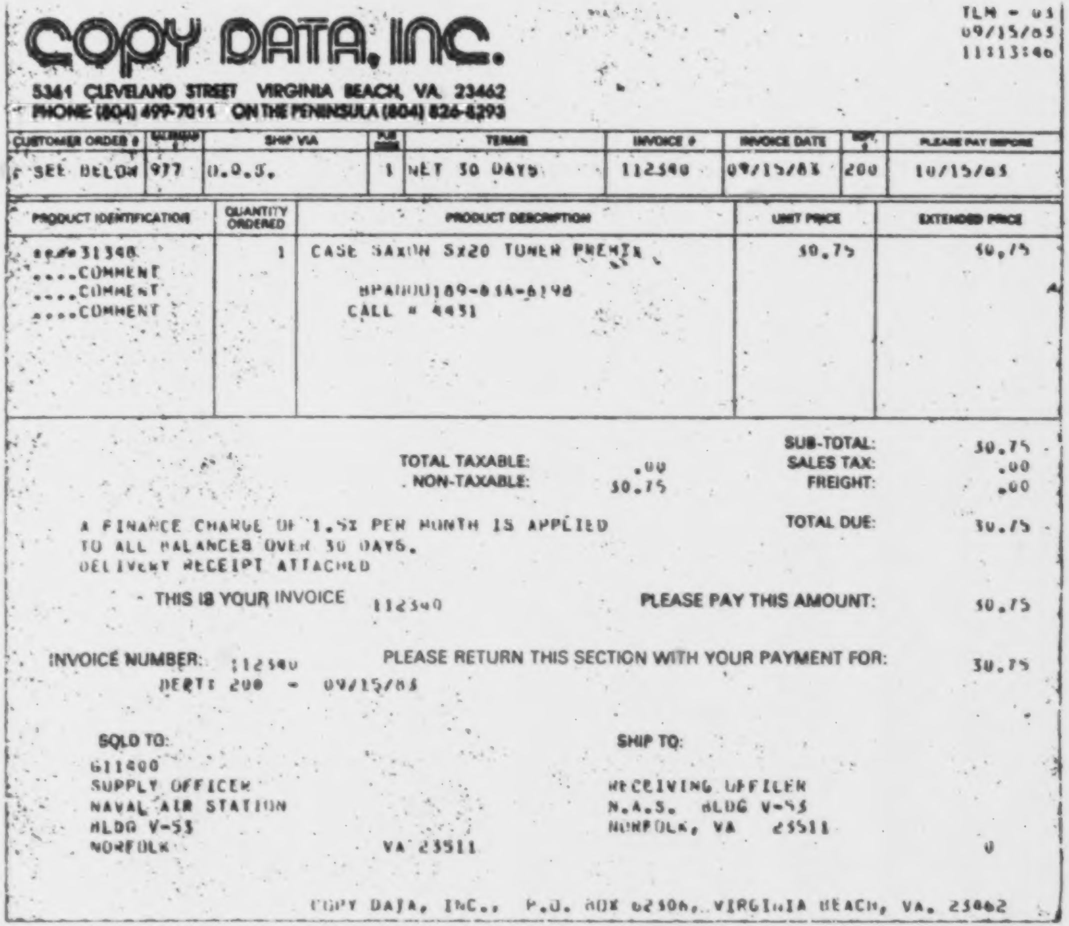
PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 540.00

SOLD TO:
611400
SUPPLY OFFICER
NAVAL AIR STATION
BLDG V-53
NORFOLK VA 23511

SHIP TO:
RECEIVING OFFICER
NAVAL AIR STATION
BLDG V-53
NORFOLK, VA

0

COPY DATA, INC., P.O. BOX 6230n, VIRGINIA BEACH, VA. 23462



COPY DATA, INC.

5341 CLEVELAND STREET VIRGINIA BEACH, VA. 23462
PHONE (804) 499-7011 ON THE PENINSULA (804) 826-8293

TLM - 03
09/15/83
11:13:46

CUSTOMER ORDER #	[illegible]	SHIP VIA	[illegible]	TERMS	INVOICE #	INVOICE DATE	[illegible]	PLEASE PAY BEFORE
SEE BELOW	977	U.P.S.	1	NET 30 DAYS	112340	09/15/83	200	10/15/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****31348 ....COMMENT ....COMMENT ....COMMENT	1	CASE SAXON SX20 TONER PREMIX BPA000189-83A-6198 CALL # 4431	$0.75	$0.75

TOTAL TAXABLE:	.00	SUB-TOTAL:	$0.75
NON-TAXABLE:	$0.75	SALES TAX:	.00
		FREIGHT:	.00
		TOTAL DUE:	$0.75

A FINANCE CHARGE OF 1.5% PER MONTH IS APPLIED
TO ALL BALANCES OVER 30 DAYS.
DELIVERY RECEIPT ATTACHED

THIS IS YOUR INVOICE 112340

PLEASE PAY THIS AMOUNT: $0.75

INVOICE NUMBER: 112340
DEPT: 200 - 09/15/83

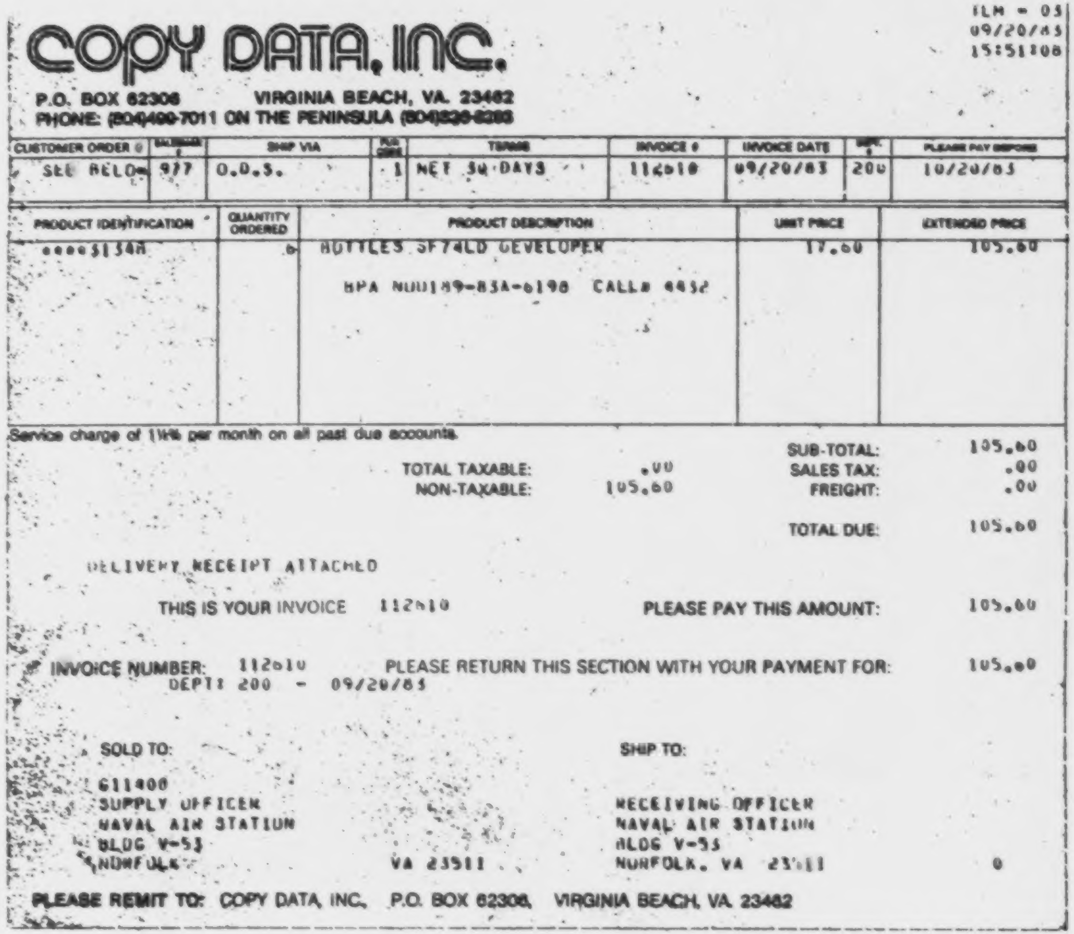
PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: $0.75

SOLD TO:
611400
SUPPLY OFFICER
NAVAL AIR STATION
BLDG V-53
NORFOLK VA 23511

SHIP TO:
RECEIVING OFFICER
N.A.S. BLDG V-53
NORFOLK, VA 23511

0

COPY DATA, INC., P.O. BOX 62506, VIRGINIA BEACH, VA. 23462



ILM - 03
09/20/83
15:51:08

COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8283

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	PUR CODE	TERMS	INVOICE #	INVOICE DATE	DEPT. #	PLEASE PAY BEFORE
SEE BELOW	977	O.D.S.	1	NET 30 DAYS	112610	09/20/83	200	10/20/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****S134R	6	BOTTLES SF74LD DEVELOPER BPA N00189-83A-0198 CALL# 4432	17.60	105.60

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE:	.00	SUB-TOTAL:	105.60
NON-TAXABLE:	105.60	SALES TAX:	.00
		FREIGHT:	.00
		TOTAL DUE:	105.60

DELIVERY RECEIPT ATTACHED

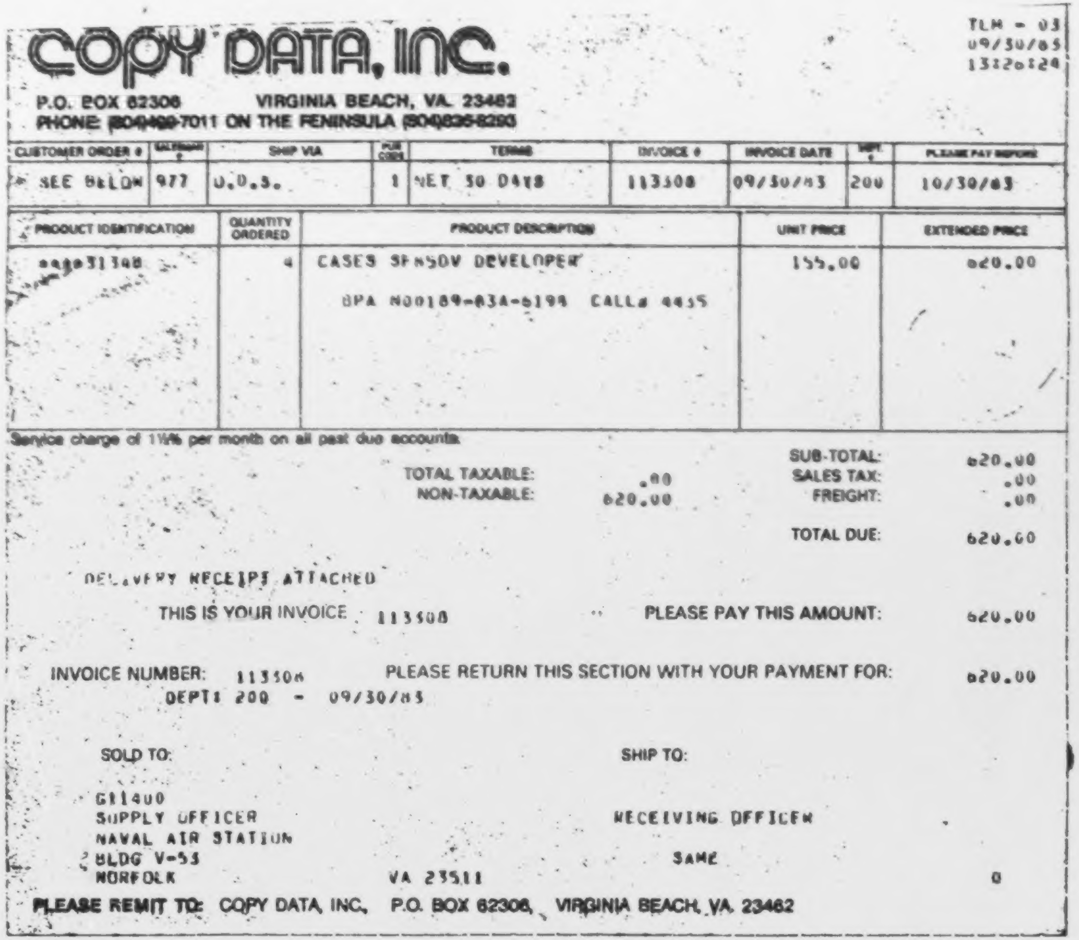
THIS IS YOUR INVOICE 112610 PLEASE PAY THIS AMOUNT: 105.60

INVOICE NUMBER: 112610 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 105.60
DEPT: 200 - 09/20/83

SOLD TO:	SHIP TO:
611400	
SUPPLY OFFICER	RECEIVING OFFICER
NAVAL AIR STATION	NAVAL AIR STATION
BLDG V-53	BLDG V-53
NORFOLK VA 23511	NORFOLK, VA 23511

0

PLEASE REMIT TO: COPY DATA, INC. P.O. BOX 62306, VIRGINIA BEACH, VA 23462



TLM - 03
09/30/83
13:20:24

COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)838-8293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	PUR CODE	TERMS	INVOICE #	INVOICE DATE	DEPT #	PLEASE PAY BEFORE
SEE BELOW	977	U.D.S.	1	NET 30 DAYS	113508	09/30/83	200	10/30/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
[illegible]31308	4	CASES SFK50V DEVELOPER BPA N00189-83A-6199 CALL# 4455	155.00	620.00

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE:	.00	SUB-TOTAL:	620.00
NON-TAXABLE:	620.00	SALES TAX:	.00
		FREIGHT:	.00
		TOTAL DUE:	620.00

DELIVERY RECEIPT ATTACHED

THIS IS YOUR INVOICE 113508 PLEASE PAY THIS AMOUNT: 620.00

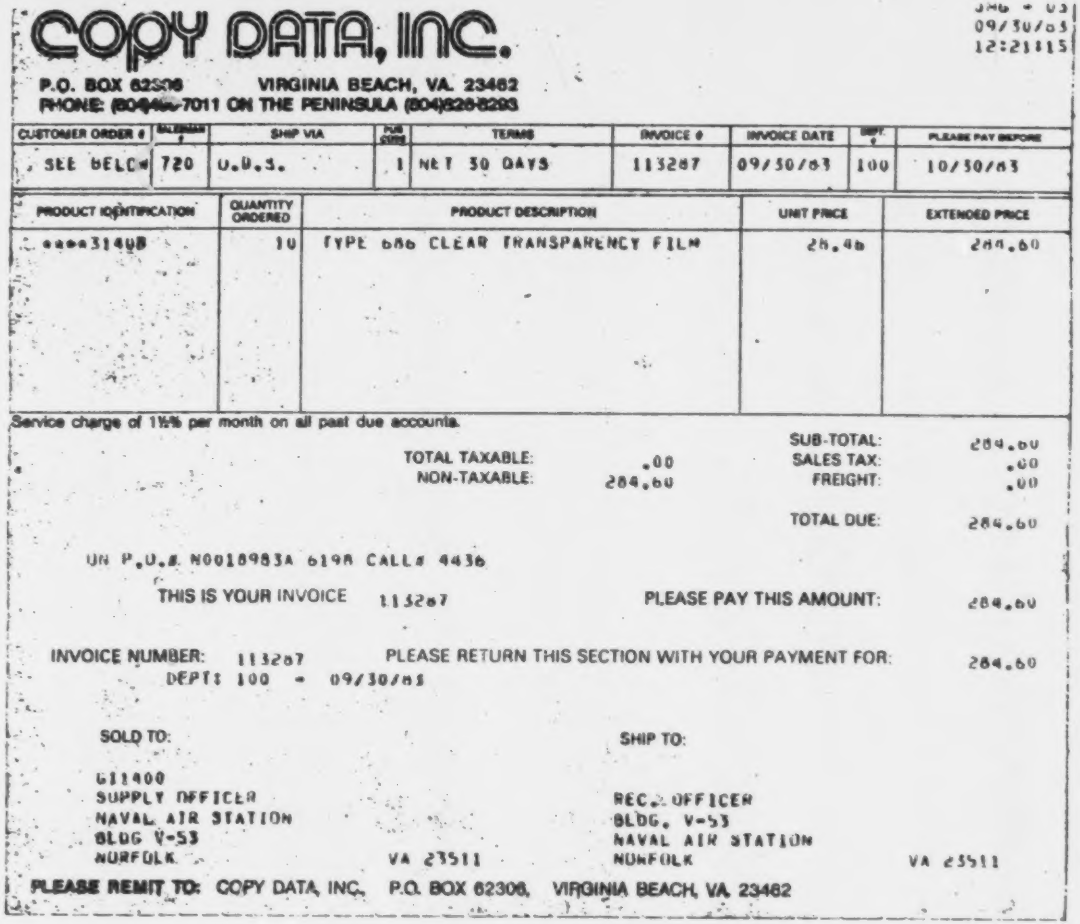
INVOICE NUMBER: 113508 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 620.00
DEPT: 200 - 09/30/83

SOLD TO:
G11400
SUPPLY OFFICER
NAVAL AIR STATION
BLDG V-53
NORFOLK VA 23511

SHIP TO:
RECEIVING OFFICER
SAME

0

PLEASE REMIT TO: COPY DATA, INC., P.O. BOX 62306, VIRGINIA BEACH, VA. 23462



JMG - 03
09/30/83
12:21:15

COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)4[illegible]-7011 ON THE PENINSULA (804)826-8293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	[illegible]	TERMS	INVOICE #	INVOICE DATE	DEPT. #	PLEASE PAY BEFORE
SEE BELOW	720	U.P.S.	1	NET 30 DAYS	113287	09/30/83	100	10/30/83

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****3140B	10	TYPE 686 CLEAR TRANSPARENCY FILM	28.46	284.60

Service charge of 1½% per month on all past due accounts.

		SUB-TOTAL:	284.60
TOTAL TAXABLE:	.00	SALES TAX:	.00
NON-TAXABLE:	284.60	FREIGHT:	.00
		TOTAL DUE:	284.60

ON P.O.# N0018983A 6198 CALL# 4436

THIS IS YOUR INVOICE 113287 PLEASE PAY THIS AMOUNT: 284.60

INVOICE NUMBER: 113287 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 284.60
DEPT: 100 - 09/30/83

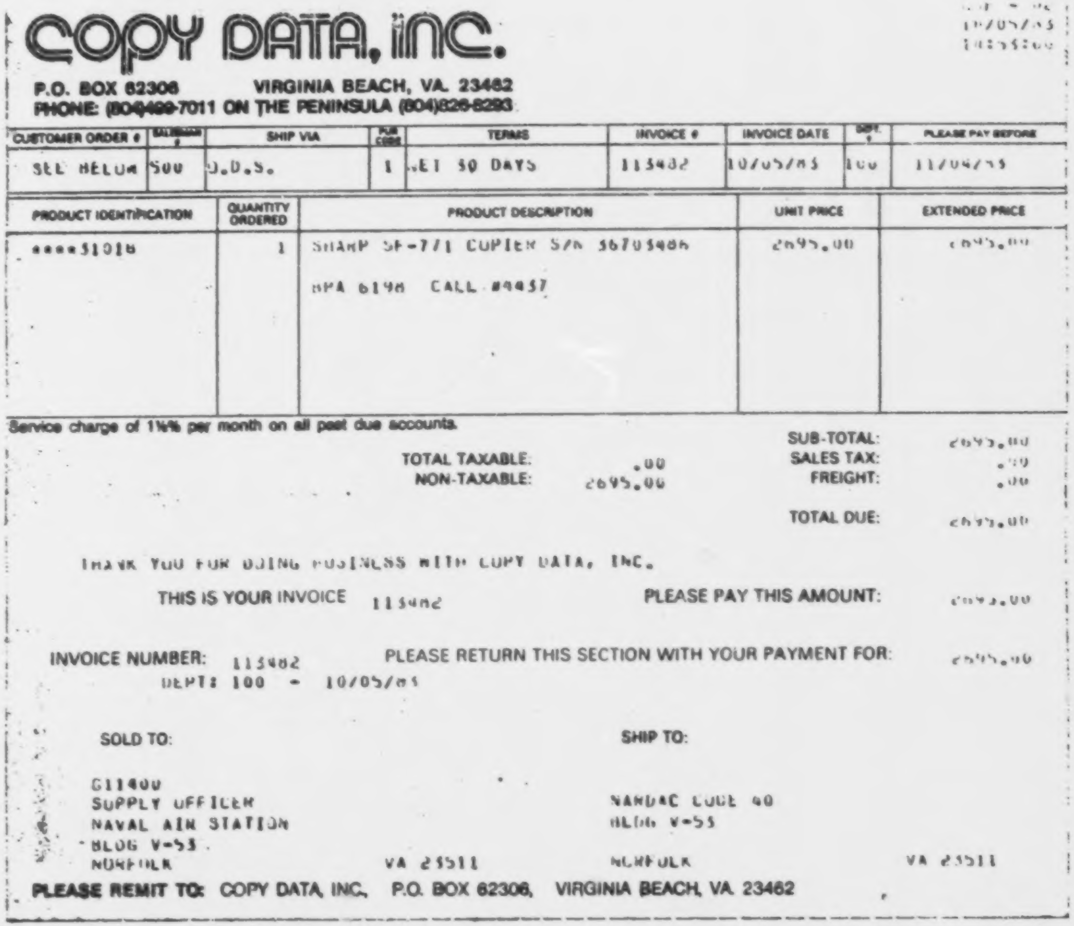
SOLD TO:

611400
SUPPLY OFFICER
NAVAL AIR STATION
BLDG V-53
NORFOLK VA 23511

SHIP TO:

REC. OFFICER
BLDG. V-53
NAVAL AIR STATION
NORFOLK VA 23511

PLEASE REMIT TO: COPY DATA, INC., P.O. BOX 62306, VIRGINIA BEACH, VA 23462



COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8293

10/05/85
14:55:00

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	P/R CODE	TERMS	INVOICE #	INVOICE DATE	DEPT. #	PLEASE PAY BEFORE
SEE BELOW	500	O.D.S.	1	NET 30 DAYS	113482	10/05/85	100	11/04/85

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****51016	1	SHARP SF-771 COPIER S/N 56705486 BPA 6198 CALL #4457	2695.00	2695.00

Service charge of 1½% per month on all past due accounts.

		SUB-TOTAL:	2695.00
TOTAL TAXABLE:	.00	SALES TAX:	.00
NON-TAXABLE:	2695.00	FREIGHT:	.00
		TOTAL DUE:	2695.00

THANK YOU FOR DOING BUSINESS WITH COPY DATA, INC.

THIS IS YOUR INVOICE 113482 PLEASE PAY THIS AMOUNT: 2695.00

INVOICE NUMBER: 113482 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 2695.00
DEPT: 100 - 10/05/85

SOLD TO:		SHIP TO:	
G11400 SUPPLY OFFICER NAVAL AIR STATION BLDG V-53 NORFOLK	VA 23511	NARDAC CODE 40 BLDG V-53 NORFOLK	VA 23511

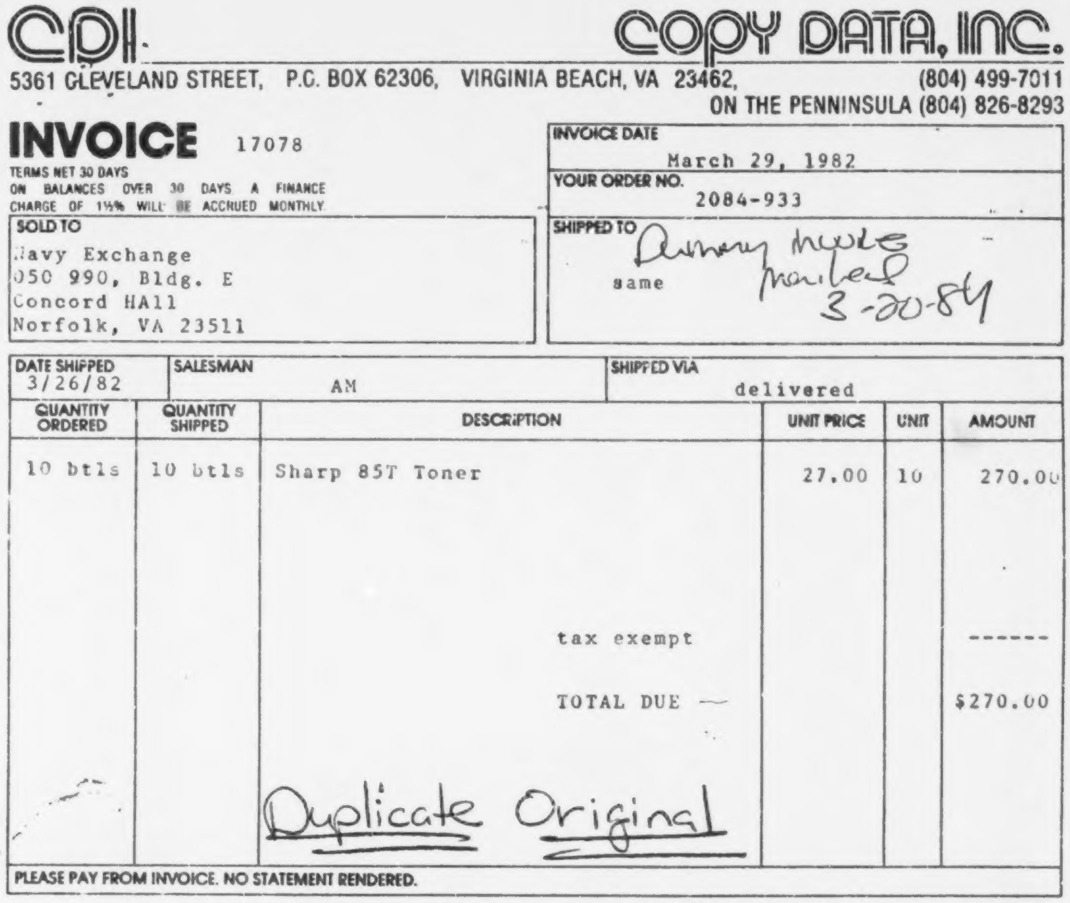
PLEASE REMIT TO: COPY DATA, INC., P.O. BOX 62306, VIRGINIA BEACH, VA 23462

COPY DATA GROUP

Delivered and invoiced accorging to purchase order on March 29, 1982.

Sent duplicate originals twice.

Received payment April 10, 1984.



CDI COPY DATA, INC.

5361 CLEVELAND STREET, P.C. BOX 62306, VIRGINIA BEACH, VA 23462, (804) 499-7011
ON THE PENNINSULA (804) 826-8293

INVOICE 17078

TERMS NET 30 DAYS
ON BALANCES OVER 30 DAYS A FINANCE CHARGE OF 1½% WILL BE ACCRUED MONTHLY

INVOICE DATE	March 29, 1982
YOUR ORDER NO.	2084-933

SOLD TO
Navy Exchange
050 990, Bldg. E
Concord HAll
Norfolk, VA 23511

SHIPPED TO
same

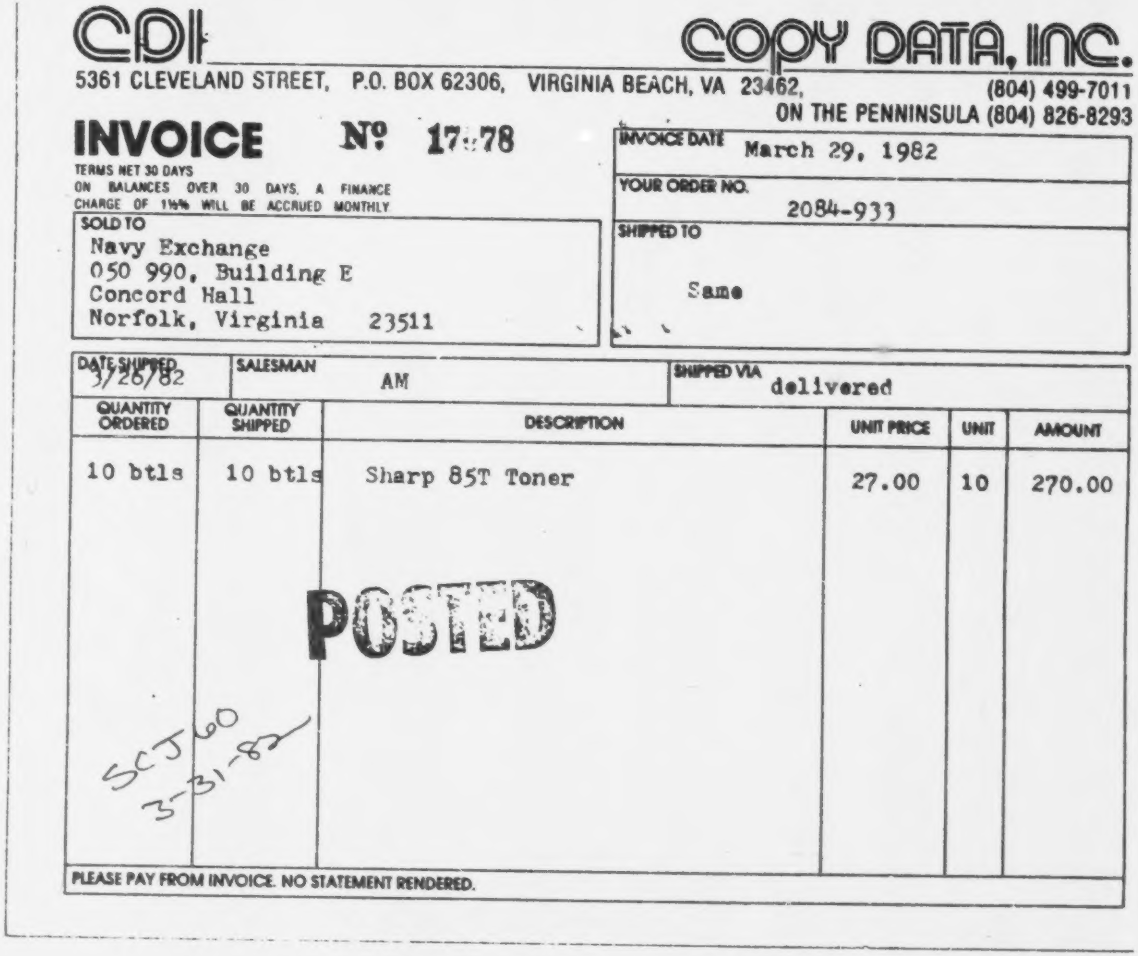
Dummy invoice
mailed
3-20-84

DATE SHIPPED	SALESMAN	SHIPPED VIA
3/26/82	AM	delivered

QUANTITY ORDERED	QUANTITY SHIPPED	DESCRIPTION	UNIT PRICE	UNIT	AMOUNT
10 btls	10 btls	Sharp 85T Toner	27.00	10	270.00
		tax exempt			------
		TOTAL DUE —			$270.00

Duplicate Original

PLEASE PAY FROM INVOICE. NO STATEMENT RENDERED.



CDI **COPY DATA, INC.**

5361 CLEVELAND STREET, P.O. BOX 62306, VIRGINIA BEACH, VA 23462, (804) 499-7011
ON THE PENNINSULA (804) 826-8293

INVOICE № 17[illegible]78

TERMS NET 30 DAYS
ON BALANCES OVER 30 DAYS, A FINANCE
CHARGE OF 1½% WILL BE ACCRUED MONTHLY

INVOICE DATE March 29, 1982

YOUR ORDER NO. 2084-933

SOLD TO
Navy Exchange
050 990, Building E
Concord Hall
Norfolk, Virginia 23511

SHIPPED TO Same

DATE SHIPPED 3/26/82

SALESMAN AM

SHIPPED VIA delivered

QUANTITY ORDERED	QUANTITY SHIPPED	DESCRIPTION	UNIT PRICE	UNIT	AMOUNT
10 btls	10 btls	Sharp 85T Toner	27.00	10	270.00

POSTED

SCJ 60
3-31-82

PLEASE PAY FROM INVOICE. NO STATEMENT RENDERED.

CDI

COPY DATA, INC.

5381 Cleveland Street / P.O. Box 62306
Virginia Beach, Virginia 23462

MOVEMENT REPORT

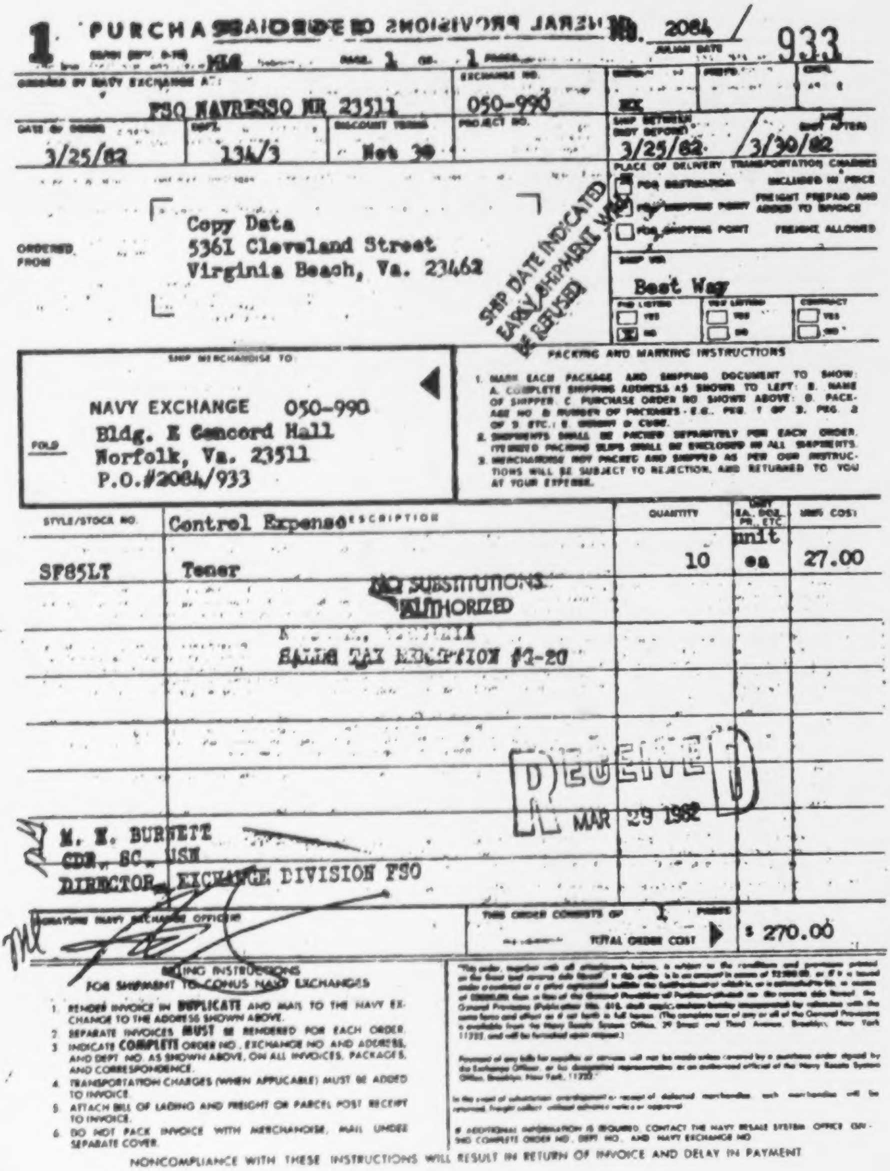
Delivered to: Navy Exchange
050 990
Bldg E
Concord Hall
Norfolk, VA 23511

Date 3·25·82

Cust. Order No. P.O.# 2084-933

QUANTITY ORDERED	QUANTITY SHIPPED	ITEMS
10 btls	10 btls	SHARP 85 T TONER

Received by S Klingensmith Per ________ Date 3/26/82



1 PURCHASE ORDER No. 2084 / 933

PAGE 1 OF 1 PAGES

ORDERED BY NAVY EXCHANGE AT: FSO NAVRESSO NR 23511

EXCHANGE NO. 050-990

DATE OF ORDER 3/25/82

DEPT. 134/3

DISCOUNT TERMS Net 30

PROJECT NO.

SHIP BETWEEN (NOT BEFORE) 3/25/82 / (NOT AFTER) 3/30/82

ORDERED FROM

Copy Data
5361 Cleveland Street
Virginia Beach, Va. 23462

SHIP DATE INDICATED EARLY SHIPMENT WILL BE REFUSED

PLACE OF DELIVERY / TRANSPORTATION CHARGES

☐ FOB DESTINATION — INCLUDED IN PRICE

☐ FOB SHIPPING POINT — FREIGHT PREPAID AND ADDED TO INVOICE

☐ FOB SHIPPING POINT — FREIGHT ALLOWED

SHIP VIA Best Way

FSS LISTING	VSS LISTING	CONTRACT
☐ YES	☐ YES	☐ YES
☒ NO	☐ NO	☐ NO

SHIP MERCHANDISE TO:

NAVY EXCHANGE 050-990
Bldg. E Concord Hall
Norfolk, Va. 23511
P.O.#2084/933

FOLD

PACKING AND MARKING INSTRUCTIONS

1. MARK EACH PACKAGE AND SHIPPING DOCUMENT TO SHOW: A. COMPLETE SHIPPING ADDRESS AS SHOWN TO LEFT; B. NAME OF SHIPPER; C. PURCHASE ORDER NO. SHOWN ABOVE; D. PACKAGE NO. & NUMBER OF PACKAGES - E.G., PKG. 1 OF 3, PKG. 2 OF 3 ETC.; E. WEIGHT & CUBE.
2. SHIPMENTS SHALL BE PACKED SEPARATELY FOR EACH ORDER. ITEMIZED PACKING SLIPS SHALL BE ENCLOSED IN ALL SHIPMENTS.
3. MERCHANDISE NOT PACKED AND SHIPPED AS PER OUR INSTRUCTIONS WILL BE SUBJECT TO REJECTION, AND RETURNED TO YOU AT YOUR EXPENSE.

STYLE/STOCK NO.	Control Expense DESCRIPTION	QUANTITY	UNIT EA., DOZ., PR., ETC.	UNIT COST
SF85LT	Toner	10	unit ea	27.00
	NO SUBSTITUTIONS AUTHORIZED			
	[illegible] VIRGINIA SALES TAX EXEMPTION #2-20			

RECEIVED MAR 29 1982

M. E. BURNETT
CDR., SC, USN
DIRECTOR, EXCHANGE DIVISION FSO

SIGNATURE NAVY EXCHANGE OFFICER

THIS ORDER CONSISTS OF 1 PAGES

TOTAL ORDER COST $ 270.00

BILLING INSTRUCTIONS FOR SHIPMENT TO CONUS NAVY EXCHANGES

1. RENDER INVOICE IN DUPLICATE AND MAIL TO THE NAVY EXCHANGE TO THE ADDRESS SHOWN ABOVE.
2. SEPARATE INVOICES MUST BE RENDERED FOR EACH ORDER.
3. INDICATE COMPLETE ORDER NO., EXCHANGE NO. AND ADDRESS, AND DEPT. NO. AS SHOWN ABOVE, ON ALL INVOICES, PACKAGES, AND CORRESPONDENCE.
4. TRANSPORTATION CHARGES (WHEN APPLICABLE) MUST BE ADDED TO INVOICE.
5. ATTACH BILL OF LADING AND FREIGHT OR PARCEL POST RECEIPT TO INVOICE.
6. DO NOT PACK INVOICE WITH MERCHANDISE. MAIL UNDER SEPARATE COVER.

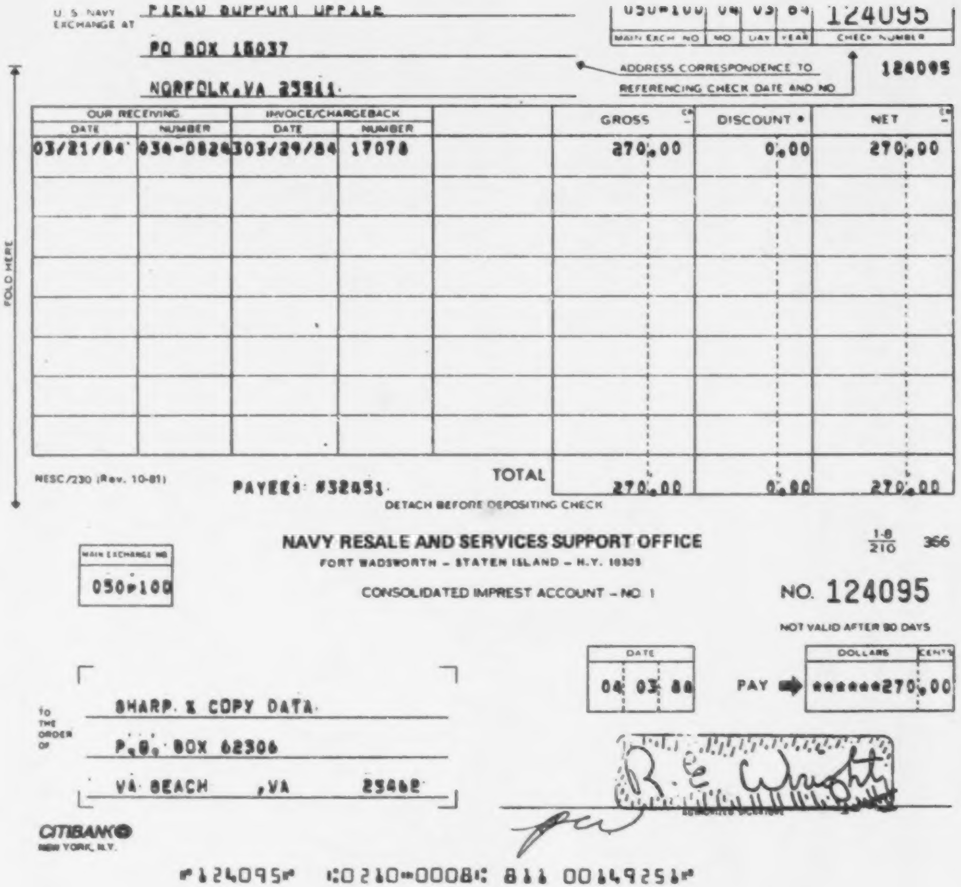
"This order, together with all attachments hereto, is subject to the conditions and provisions printed on the face and reverse side hereof. [illegible] General Provisions [illegible] New York 11232, and will be furnished upon request.)

Payment of any bills for supplies or services will not be made unless covered by a purchase order signed by the Exchange Officer, or his designated representative or an authorized official of the Navy Resale System Office, Brooklyn, New York, 11232."

In the event of substitution, overshipment or receipt of defective merchandise, such merchandise will be returned, freight collect, without advance notice or approval.

IF ADDITIONAL INFORMATION IS REQUIRED, CONTACT THE NAVY RESALE SYSTEM OFFICE GIVING COMPLETE ORDER NO., DEPT. NO., AND NAVY EXCHANGE NO.

NONCOMPLIANCE WITH THESE INSTRUCTIONS WILL RESULT IN RETURN OF INVOICE AND DELAY IN PAYMENT



U. S. NAVY EXCHANGE AT FIELD SUPPORT OFFICE
PO BOX 15037
NORFOLK, VA 23511

050#100	04	03	84	124095
MAIN EXCH NO	MO	DAY	YEAR	CHECK NUMBER

ADDRESS CORRESPONDENCE TO
REFERENCING CHECK DATE AND NO

124095

OUR RECEIVING		INVOICE/CHARGEBACK			GROSS	DISCOUNT *	NET
DATE	NUMBER	DATE	NUMBER				
03/21/84	034-0824	303/29/84	17078		270.00	0.00	270.00
				TOTAL	270.00	0.00	270.00

FOLD HERE

NESC/230 (Rev. 10-81)

PAYEE: #32451

DETACH BEFORE DEPOSITING CHECK

NAVY RESALE AND SERVICES SUPPORT OFFICE
FORT WADSWORTH – STATEN ISLAND – N.Y. 10305
CONSOLIDATED IMPREST ACCOUNT – NO. 1

$\frac{1\text{-}8}{210}$ 366

MAIN EXCHANGE NO
050#100

NO. 124095
NOT VALID AFTER 90 DAYS

DATE		PAY	DOLLARS	CENTS
04 03 84		➡	******270	00

TO THE ORDER OF
SHARP. & COPY DATA
P.O. BOX 62306
VA BEACH , VA 23462

R. E. Wright

CITIBANK®
NEW YORK, N.Y.

⑈124095⑈ ⑆0210⑉0008⑆ 811 00149251⑈

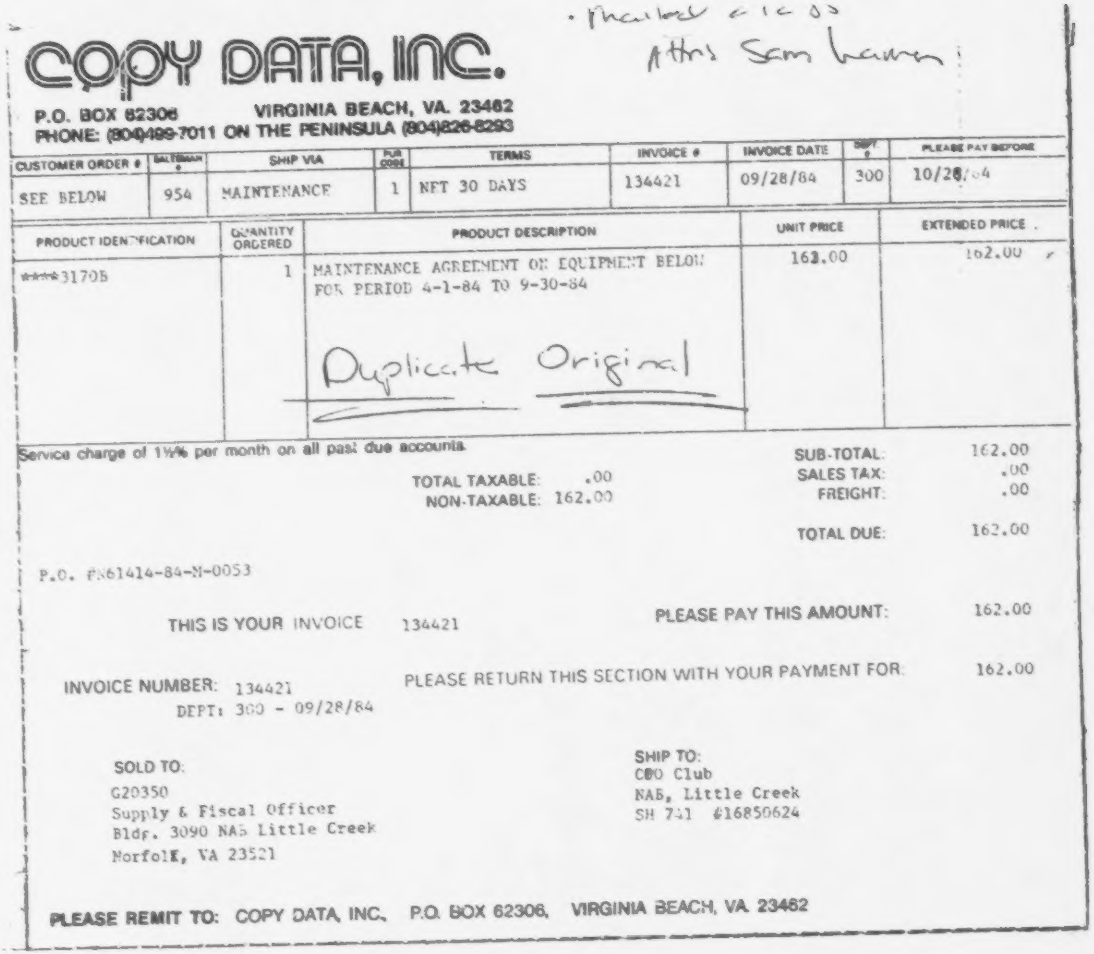
COPY DATA GROUP

Invoiced according to purchase order on Sept. 28, 1985.

Spoke with activity on February 12, 1985 and was told they had already forwarded for payment.

Sent duplicate original to Sam Warren February 12, 1985.

Received payment March 25, 1985.



· Mailed 2-1-85
Attn: Sam Lauren

COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8293

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	P/R CODE	TERMS	INVOICE #	INVOICE DATE	DEPT. #	PLEASE PAY BEFORE
SEE BELOW	954	MAINTENANCE	1	NET 30 DAYS	134421	09/28/84	300	10/28/84

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****3170B	1	MAINTENANCE AGREEMENT ON EQUIPMENT BELOW FOR PERIOD 4-1-84 TO 9-30-84 Duplicate Original	162.00	162.00 ✓

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE: .00
NON-TAXABLE: 162.00

SUB-TOTAL: 162.00
SALES TAX: .00
FREIGHT: .00

TOTAL DUE: 162.00

P.O. #N61414-84-M-0053

THIS IS YOUR INVOICE 134421

PLEASE PAY THIS AMOUNT: 162.00

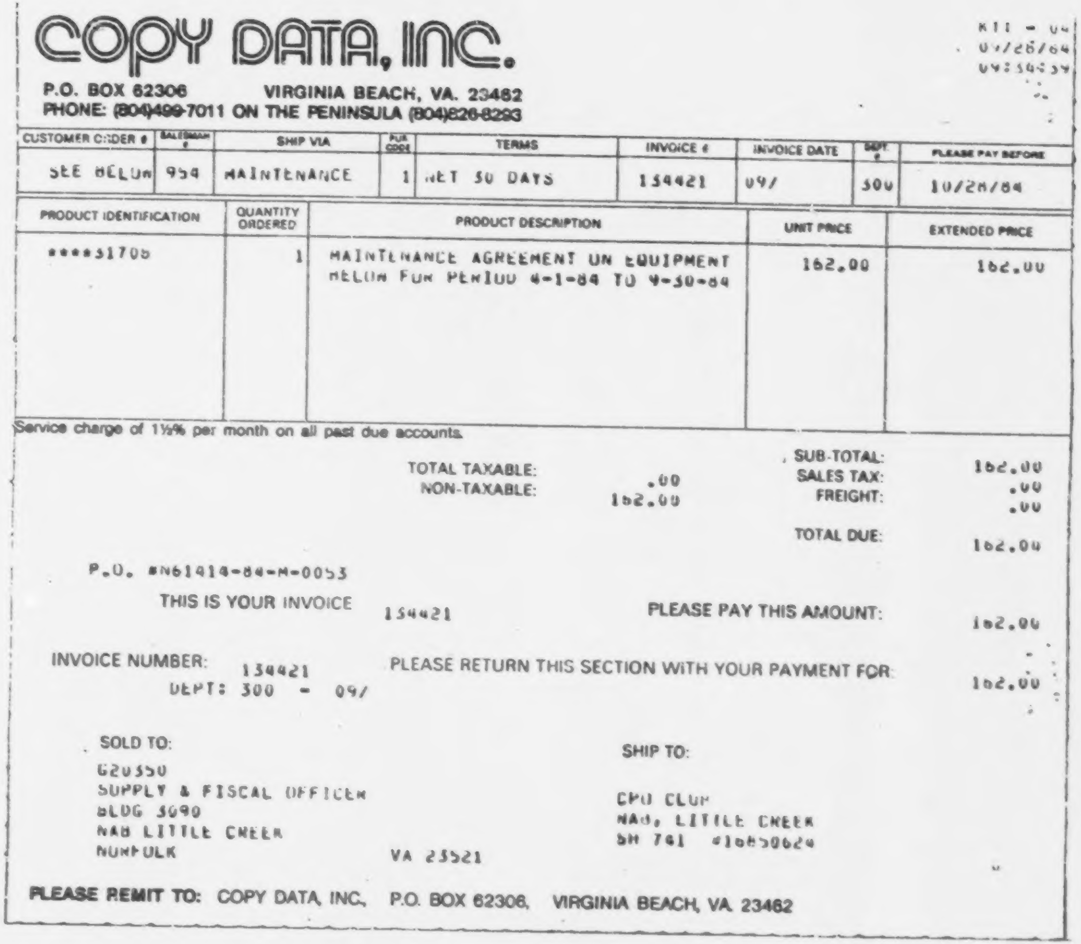
INVOICE NUMBER: 134421
DEPT: 300 - 09/28/84

PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 162.00

SOLD TO:
G20350
Supply & Fiscal Officer
Bldg. 3090 NAB Little Creek
Norfolk, VA 23521

SHIP TO:
CPO Club
NAB, Little Creek
SH 741 #16850624

PLEASE REMIT TO: COPY DATA, INC. P.O. BOX 62306, VIRGINIA BEACH, VA 23462



COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23482
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8293

RII - 04
09/28/84
09:34:39

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	P/R CODE	TERMS	INVOICE #	INVOICE DATE	DEPT. #	PLEASE PAY BEFORE
SEE BELOW	954	MAINTENANCE	1	NET 30 DAYS	134421	09/	300	10/28/84

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
****31705	1	MAINTENANCE AGREEMENT ON EQUIPMENT BELOW FOR PERIOD 4-1-84 TO 9-30-84	162.00	162.00

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE:	.00	SUB-TOTAL:	162.00
NON-TAXABLE:	162.00	SALES TAX:	.00
		FREIGHT:	.00
		TOTAL DUE:	162.00

P.O. #N61414-84-M-0053

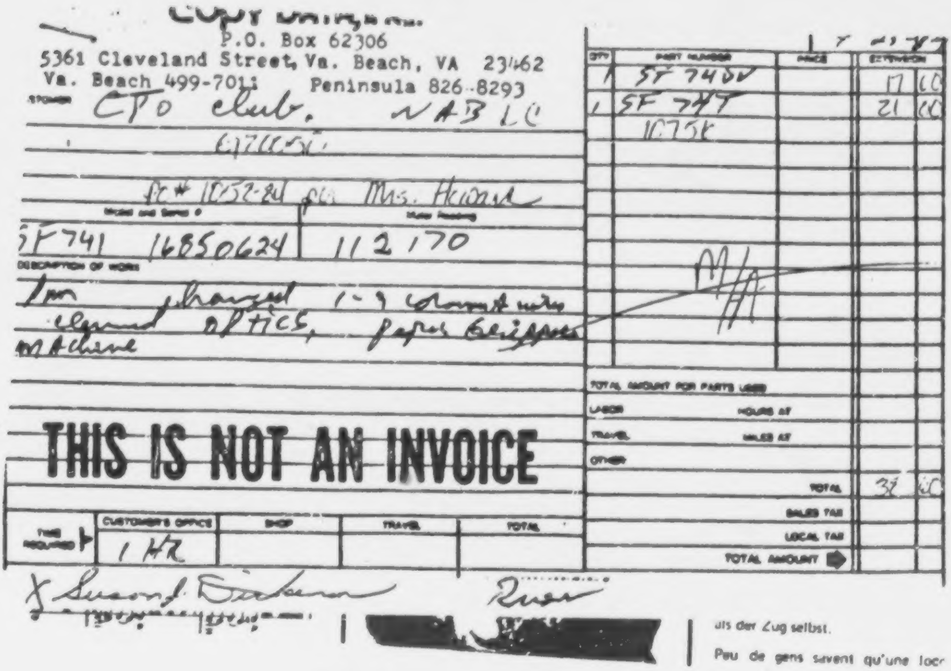
THIS IS YOUR INVOICE 134421 PLEASE PAY THIS AMOUNT: 162.00

INVOICE NUMBER: 134421 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 162.00
DEPT: 300 - 09/

SOLD TO:
G20550
SUPPLY & FISCAL OFFICER
BLDG 3090
NAB LITTLE CREEK
NORFOLK VA 23521

SHIP TO:
CPO CLUB
NAB, LITTLE CREEK
BH 761 #10850624

PLEASE REMIT TO: COPY DATA, INC. P.O. BOX 62306, VIRGINIA BEACH, VA 23462



COPY DATA, INC.
P.O. Box 62306
5361 Cleveland Street, Va. Beach, VA 23462
Va. Beach 499-7011 Peninsula 826-8293

CUSTOMER CPO club. NAB LC
[illegible]
PO# 10252-84 per Mrs. Howard

Model and Serial #		Meter Reading
SF741	16850624	112 170

DESCRIPTION OF WORK
Ton[illegible] charged 1-9 [illegible]
cleaned optics, paper [illegible]
machine

THIS IS NOT AN INVOICE

TIME REQUIRED	CUSTOMER'S OFFICE	SHOP	TRAVEL	TOTAL
	1 HR			

X Susan J. Dickens Russ

[redacted]

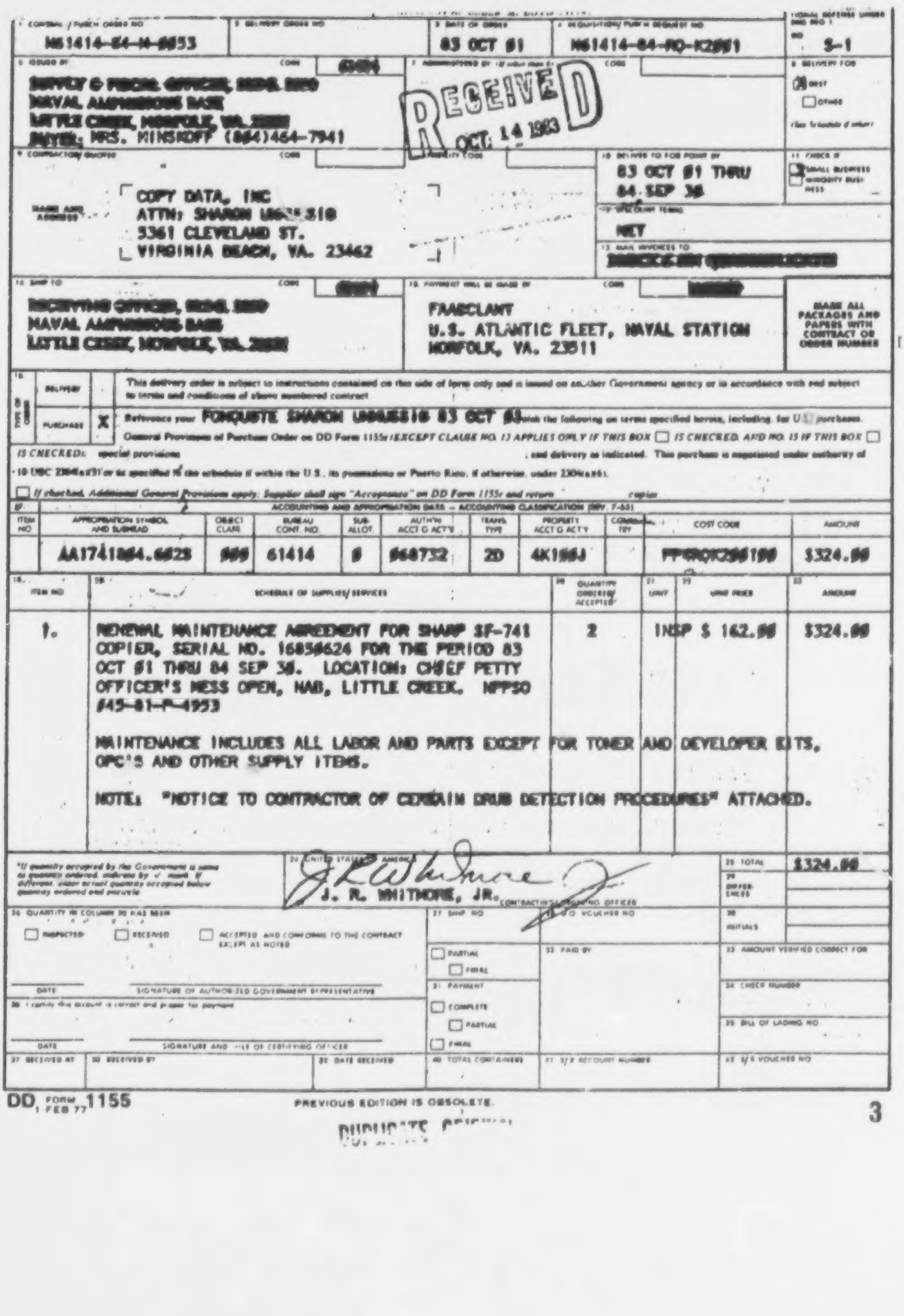
[illegible]

QTY	PART NUMBER	PRICE	EXTENSION	
1	SF 740V		17	00
1	SF 747		21	00
	10756			
TOTAL AMOUNT FOR PARTS USED				
LABOR	HOURS AT			
TRAVEL	MILES AT			
OTHER				
	TOTAL		38	00
	SALES TAX			
	LOCAL TAX			
	TOTAL AMOUNT ➡			

N/A

als der Zug selbst.

Peu de gens savent qu'une loc



ORDER FOR SUPPLIES OR SERVICES

1. CONTRACT/PURCH ORDER NO: N61414-84-M-0053

2. DELIVERY ORDER NO:

3. DATE OF ORDER: 83 OCT 01

4. REQUISITION/PURCH REQUEST NO: N61414-84-RQ-K2001

5. CERTIFIED FOR NATIONAL DEFENSE UNDER DMS REG. 1: DO S-1

6. ISSUED BY: CODE [redacted]
SUPPLY & FISCAL OFFICER, BLDG. [illegible]
NAVAL AMPHIBIOUS BASE
LITTLE CREEK, NORFOLK, VA. [illegible]
BUYER: MRS. MINSKOFF (804)464-7941

7. ADMINISTERED BY (If other than 6): CODE

RECEIVED
OCT 14 1983

8. DELIVERY FOB: ☒ DEST ☐ OTHER (See Schedule if other)

9. CONTRACTOR/QUOTER: CODE — FACILITY CODE
NAME AND ADDRESS:
COPY DATA, INC
ATTN: SHARON UNGUESSIO
5361 CLEVELAND ST.
VIRGINIA BEACH, VA. 23462

10. DELIVER TO FOB POINT BY: 83 OCT 01 THRU 84 SEP 30

11. CHECK IF: ☒ SMALL BUSINESS ☐ MINORITY BUSINESS

12. DISCOUNT TERMS: NET

13. MAIL INVOICES TO: [redacted]

14. SHIP TO: CODE [redacted]
RECEIVING OFFICER, BLDG. [illegible]
NAVAL AMPHIBIOUS BASE
LITTLE CREEK, NORFOLK, VA. [illegible]

15. PAYMENT WILL BE MADE BY: CODE [redacted]
FAASCLANT
U.S. ATLANTIC FLEET, NAVAL STATION
NORFOLK, VA. 23511

MARK ALL PACKAGES AND PAPERS WITH CONTRACT OR ORDER NUMBER

16. TYPE OF ORDER:

☐ DELIVERY — This delivery order is subject to instructions contained on this side of form only and is issued on another Government agency or in accordance with and subject to terms and conditions of above numbered contract.

☒ PURCHASE — Reference your FONQUOTE SHARON UNGUESSIO 83 OCT 03 furnish the following on terms specified herein, including, for U.S. purchases, General Provisions of Purchase Order on DD Form 1155r (EXCEPT CLAUSE NO. 12 APPLIES ONLY IF THIS BOX ☐ IS CHECKED AND NO. 15 IF THIS BOX ☐ IS CHECKED); special provisions , and delivery as indicated. This purchase is negotiated under authority of 10 USC 2304(a)(3) or as specified in the schedule if within the U.S., its possessions or Puerto Rico; if otherwise, under 2304(a)(6).

☐ If checked, Additional General Provisions apply. Supplier shall sign "Acceptance" on DD Form 1155r and return copies

17. ACCOUNTING AND APPROPRIATION DATA — ACCOUNTING CLASSIFICATION (REV. 7-63)

ITEM NO	APPROPRIATION SYMBOL AND SUBHEAD	OBJECT CLASS	BUREAU CONT. NO.	SUB-ALLOT.	AUTH'N ACCT G ACT'Y	TRANS. TYPE	PROPERTY ACCT G ACT'Y	COUNTRY	COST CODE	AMOUNT
	AA1741804.6025	009	61414	0	068732	2D	4K100J		FPRQK200100	$324.00

18. ITEM NO	19. SCHEDULE OF SUPPLIES/SERVICES	20. QUANTITY ORDERED/ ACCEPTED*	21. UNIT	22. UNIT PRICE	23. AMOUNT
1.	RENEWAL MAINTENANCE AGREEMENT FOR SHARP SF-741 COPIER, SERIAL NO. 16850624 FOR THE PERIOD 83 OCT 01 THRU 84 SEP 30. LOCATION: CHIEF PETTY OFFICER'S MESS OPEN, NAB, LITTLE CREEK. NFPSO #45-81-P-4953 MAINTENANCE INCLUDES ALL LABOR AND PARTS EXCEPT FOR TONER AND DEVELOPER KITS, OPC'S AND OTHER SUPPLY ITEMS. NOTE: "NOTICE TO CONTRACTOR OF CERTAIN DRUG DETECTION PROCEDURES" ATTACHED.	2	INSP	$ 162.00	$324.00

*If quantity accepted by the Government is same as quantity ordered, indicate by ✓ mark. If different, enter actual quantity accepted below quantity ordered and encircle.

24. UNITED STATES OF AMERICA
BY J R Whitmore Jr
J. R. WHITMORE, JR. CONTRACTING/ORDERING OFFICER

25. TOTAL: $324.00

29. DIFFERENCES:

26. QUANTITY IN COLUMN 20 HAS BEEN ☐ INSPECTED ☐ RECEIVED ☐ ACCEPTED AND CONFORMS TO THE CONTRACT EXCEPT AS NOTED

DATE — SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE

27. SHIP NO: ☐ PARTIAL ☐ FINAL

28. D.O. VOUCHER NO

30. INITIALS

31. PAYMENT: ☐ COMPLETE ☐ PARTIAL ☐ FINAL

32. PAID BY

33. AMOUNT VERIFIED CORRECT FOR

34. CHECK NUMBER

35. BILL OF LADING NO

36. I certify this account is correct and proper for payment

DATE — SIGNATURE AND TITLE OF CERTIFYING OFFICER

37. RECEIVED AT

38. RECEIVED BY

39. DATE RECEIVED

40. TOTAL CONTAINERS

41. S/R ACCOUNT NUMBER

42. S/R VOUCHER NO

DD FORM 1155, 1 FEB 77 — PREVIOUS EDITION IS OBSOLETE.

3

DUPLICATE ORIGINAL

COPY DATA GROUP

Invoiced according to purchase order on May 31, 1985.

Sept. 17, 1985, paying office still waiting for signed receiving report from activity

Received payment Oct. 29, 1985.

SHARP ELECTRONICS
c/o COPY DATA, INC
POBOX 62306
VIRGINIA BEACH, VA 23462

Invoic

No 150770/150765

Date May 31, 1985

Your Order No DTCG41-85-F-02307

Sold to G30100

- COMMANDING OFFICER (f)
  USCG RESERVE TRAINING CENTER
- YORKTOWN, VA 23690

Shipped to

- COMMANDING OFFICER
  HAMILTON HALL, RTC
- YORKTOWN, VA 23690

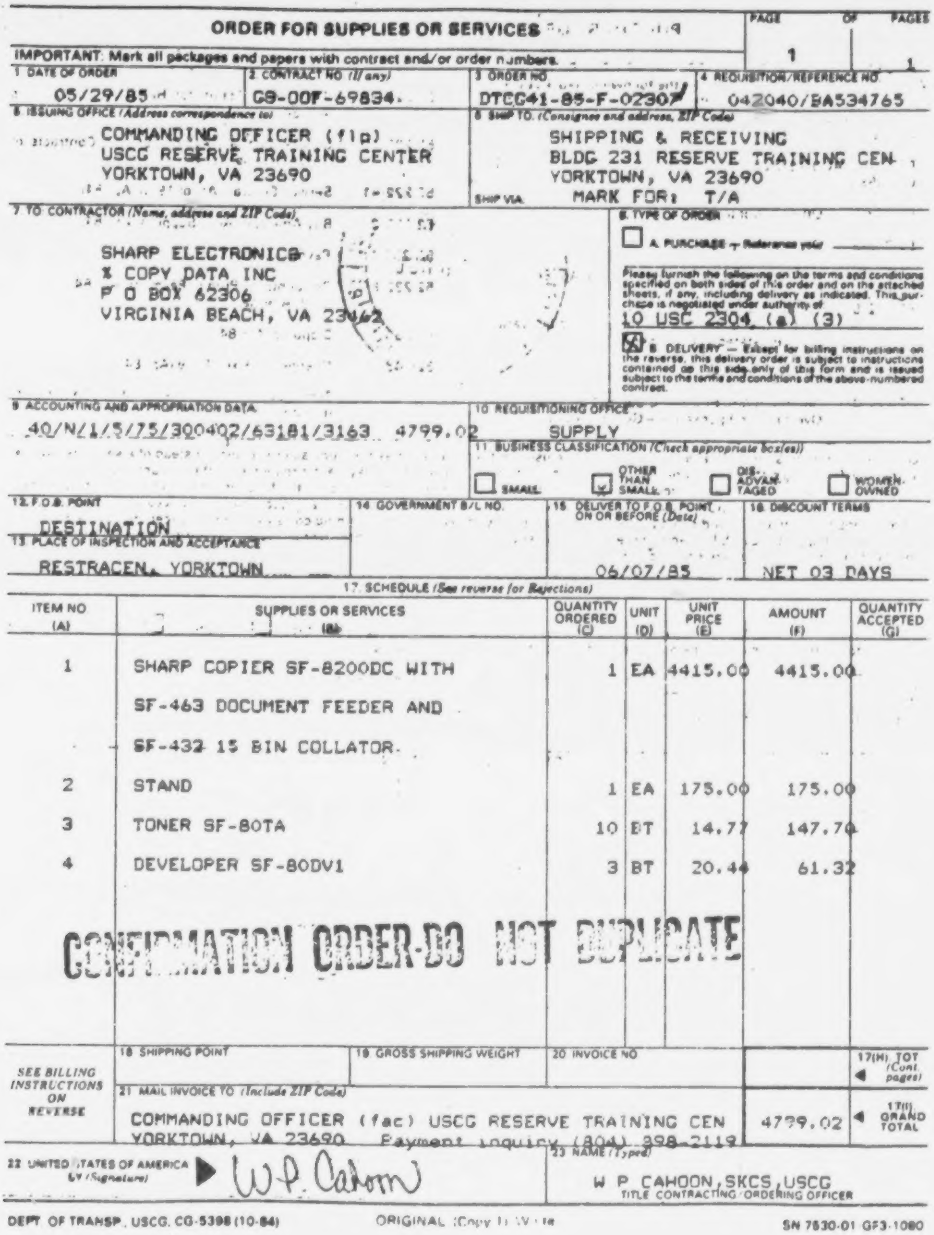
Our Order No	Salesman	Terms	F O B	Date Shipped	Shipped VIA
GSOOF-69834	AM / 977	NET 30	DEST	5/31/85	AM

Quantity Ordered	Quantity Shipped	Stock Number Description	Unit Price	Unit	Amount
1each	1	SHARP SF8200DC s/n 56200193 w/ ADF s/n 56501883 & SORTER s/n 4105198	4415.00	1	4415.0
1 each	1	8200 Liberty Stand	175.00	1	175.0
10 btls	10	SHARP SF80LT1 BLACK TONER	14.77	10	147.7
3 btls	3	SHARP SF80LDV1 BLACK DEVELOPER	20.44	3	61.3
		TAX EXEMPT, RECEIPT ATTACHED			....
		TOTAL DUE:			$4799.0

WilsonJones

Original / Invoic

Paid
10-24-85
Ck# 25125108



ORDER FOR SUPPLIES OR SERVICES

PAGE 1 OF PAGES 1

IMPORTANT: Mark all packages and papers with contract and/or order numbers.

1 DATE OF ORDER: 05/29/85
2 CONTRACT NO (If any): GS-00F-69834
3 ORDER NO: DTCG41-85-F-02307
4 REQUISITION/REFERENCE NO: 042040/BA534765

5 ISSUING OFFICE (Address correspondence to)
COMMANDING OFFICER (flp)
USCG RESERVE TRAINING CENTER
YORKTOWN, VA 23690

6 SHIP TO (Consignee and address, ZIP Code)
SHIPPING & RECEIVING
BLDG 231 RESERVE TRAINING CEN
YORKTOWN, VA 23690
SHIP VIA MARK FOR: T/A

7 TO: CONTRACTOR (Name, address and ZIP Code)
SHARP ELECTRONICS
% COPY DATA INC
P O BOX 62306
VIRGINIA BEACH, VA 23462

8. TYPE OF ORDER
☐ A. PURCHASE — Reference your ______
Please furnish the following on the terms and conditions specified on both sides of this order and on the attached sheets, if any, including delivery as indicated. This purchase is negotiated under authority of
10 USC 2304 (a) (3)
☒ B. DELIVERY — Except for billing instructions on the reverse, this delivery order is subject to instructions contained on this side only of this form and is issued subject to the terms and conditions of the above-numbered contract.

9 ACCOUNTING AND APPROPRIATION DATA: 40/N/1/5/75/300402/63181/3163 4799.02
10 REQUISITIONING OFFICE: SUPPLY
11 BUSINESS CLASSIFICATION (Check appropriate box(es)): ☐ SMALL ☒ OTHER THAN SMALL ☐ DISADVANTAGED ☐ WOMEN-OWNED

12 F.O.B. POINT: DESTINATION
13 PLACE OF INSPECTION AND ACCEPTANCE: RESTRACEN, YORKTOWN
14 GOVERNMENT B/L NO.:
15 DELIVER TO F.O.B. POINT ON OR BEFORE (Date): 06/07/85
16 DISCOUNT TERMS: NET 03 DAYS

17. SCHEDULE (See reverse for Rejections)

ITEM NO (A)	SUPPLIES OR SERVICES (B)	QUANTITY ORDERED (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)	QUANTITY ACCEPTED (G)
1	SHARP COPIER SF-8200DC WITH SF-463 DOCUMENT FEEDER AND SF-432 15 BIN COLLATOR.	1	EA	4415.00	4415.00	
2	STAND	1	EA	175.00	175.00	
3	TONER SF-80TA	10	BT	14.77	147.70	
4	DEVELOPER SF-80DV1	3	BT	20.44	61.32	

CONFIRMATION ORDER-DO NOT DUPLICATE

SEE BILLING INSTRUCTIONS ON REVERSE

18 SHIPPING POINT:
19 GROSS SHIPPING WEIGHT:
20 INVOICE NO:
17(H) TOT (Cont. pages):

21 MAIL INVOICE TO (Include ZIP Code)
COMMANDING OFFICER (fac) USCG RESERVE TRAINING CEN
YORKTOWN, VA 23690 Payment inquiry (804) 898-2119

17(I) GRAND TOTAL: 4799.02

22 UNITED STATES OF AMERICA BY (Signature) W.P. Cahoon
23 NAME (Typed): W P CAHOON, SKCS, USCG
TITLE CONTRACTING/ORDERING OFFICER

DEPT. OF TRANSP., USCG, CG-5398 (10-84) ORIGINAL (Copy 1) White SN 7530-01 GF3-1080

CDI COPIER INSTALLATION COPY DATA, INC.

POST OFFICE BOX 62306 5361 CLEVELAND STREET, VIRGINIA BEACH, VA 23462 (804) 499 7011 ON THE PENINSULA (804) 826-6293

CUST # 630100 Has Customer ever purchased from CDI? Yes ✓ No ✓ DATE 5-31-85

If YES, under what name, and address? Inv # 150770

INSTALLED: CHARGE TO: COMMANDING OFFICER (FAC)

HAMILTON HALL RTC	USCG RESERVE TRAINING CENTER
YORKTOWN, VA. 23690	YORKTOWN, VA. 23690
MR. McQUEENEY 898-2207, 2104 (Contact/Phone# for billing)	SKCS CAHOON 898-2251 (Contact/Phone# for supplies, etc.)

The equipment listed below was installed on 5-31-85, and training for the operation of same was provided. The equipment is in good operating condition and acceptable to us.

Meter Reading at Installation ______ RENTAL __ LEASE ___ PURCHASE ✓ SNAP ___ OTHER ___

MACHINE/MODEL	SERIAL NUMBER	SUPPLIES DELIVERED:	QUANTITY	ITEM/CODE	STATUS
SF-8200	56200193	~~[illegible]~~ + WITH TOTAL SUPPLIES DELIVERED	10 BT.	SF-80T	Bill
SF-463	56501883		3 BT.	SF-80DV	
SF-432	41015198				
LIBERTY	CABINET See invoice	ADDN'L SUPPLIES:	See Toni		

USED MACHINE CONTROL # _____ SUPPLIES TO BE DELIVERED:

SERVICE 90 DAY Warranty

Maint. Plan Quoted ________ Contact Customer ___

CDI Equip. Trade-In: Make/Model ____________

Control # ____________

INSTALLATION AND SET-UP CHARGE $ Included in GSA Pricing

ADDITIONAL COMMENTS: ____________

AUTHORIZED SIGNATURE ____________ TITLE ____________ DATE ____________

CDI SALESPERSON A. Massey Division Mgr General Sales Mgr

P.O. # DTCG 41-85-F-02307

C/R ____ TAC ____ NEEDS:
W/L ____ SERV ____ INVOICE ____
SALES ____ DELIVERY ____

8/27/84 pab

COPY DATA GROUP inc.

5361 CLEVELAND STREET, VIRGINIA BEACH, VA 23462, (804) 499-7011, ON THE PENINSULA (804) 826-8293

CUSTOMER PURCHASE ORDER

SHIP TO:
HAMILTON HALL
YORKTOWN, VA.

CHARGE TO: COMMANDING OFFICER (FAC)
USCG RESERVE TRAINING CENTER
YORKTOWN, VA. 23690

ORDER DATE: 5-31-85

CUSTOMER ORDER NO. DTCG 41-85-F-02307

QUANTITY ORDERED	STOCK NUMBER	DESCRIPTION	UNIT PRICE	EXTENDED PRICE
1	SF-8200	COPIER 56200193		4415.00
1		LIBERTY CABINET		175.00
10 Bt.	SF-80T	TANER	14.77	147.70
3 Bt.	SF-80D	DEVELOPER	20.44	61.32
		Options: SF-463 # 56501883		
		SF-432 # 41015198		
		TOTAL ORDER GROSS		4,799.02
		TOTAL ORDER NET		4,799.02

WARRANTY: 90 DAY

SERVICE CONTRACT /

WE SUGGEST AN ANNUAL CDI MAINTENANCE AGREEMENT PROVIDING PARTS REPLACEMENT, REPAIRS AND PREVENTATIVE MAINTENANCE, WHEN YOUR WARRANTY EXPIRES. CHECK HERE ☐ IF YOU WISH FURTHER INFORMATION.

CUSTOMER PAYMENT
☐ CASH WITH ORDER ☒ NET 30 DAYS
AMOUNT RECEIVED ______ CUST. CHECK NO. ______

SPECIAL INSTRUCTIONS

SALESMANAGER APPROVAL DATE 5/31/85 SALESMAN'S NAME a. Massey SLSM NO.

ALL SALES ARE SUBJECT TO STATE, LOCAL AND OTHER APPLICABLE TAXES. IF CUSTOMER IS TAX EXEMPT, ATTACH EXEMPTION CERTIFICATES AND CHECK THIS BOX. ☐
Payment is due as stated on invoice, if payment in full is not received within 30 days of due date, customer agrees to pay service charges at the rate of 1.5% per month on the unpaid balance. Should the account be placed with an attorney for collection, customer agrees to pay all costs of collection plus reasonable attorney's fees.

I have read the above and agree to all terms and conditions stated therein. PO # DTCG 41-85-F-02307

COPY DATA GROUP

Invoiced according to purchase order on
March 28, 1985.

Called activity they said they submitted for payment when received. Send another copy and they will resubmit.

Sent copy and letter on November 1, 1985. Have not received payment yet.

CDI COPY DATA, INC.
5361 CLEVELAND STREET, VIRGINIA BEACH, VA 23462, (804) 499-7011, ON THE PENINSULA (804) 826-8293

November 1, 1985

MATCU
NAS Bldg. LP84
Norfolk, VA 23511

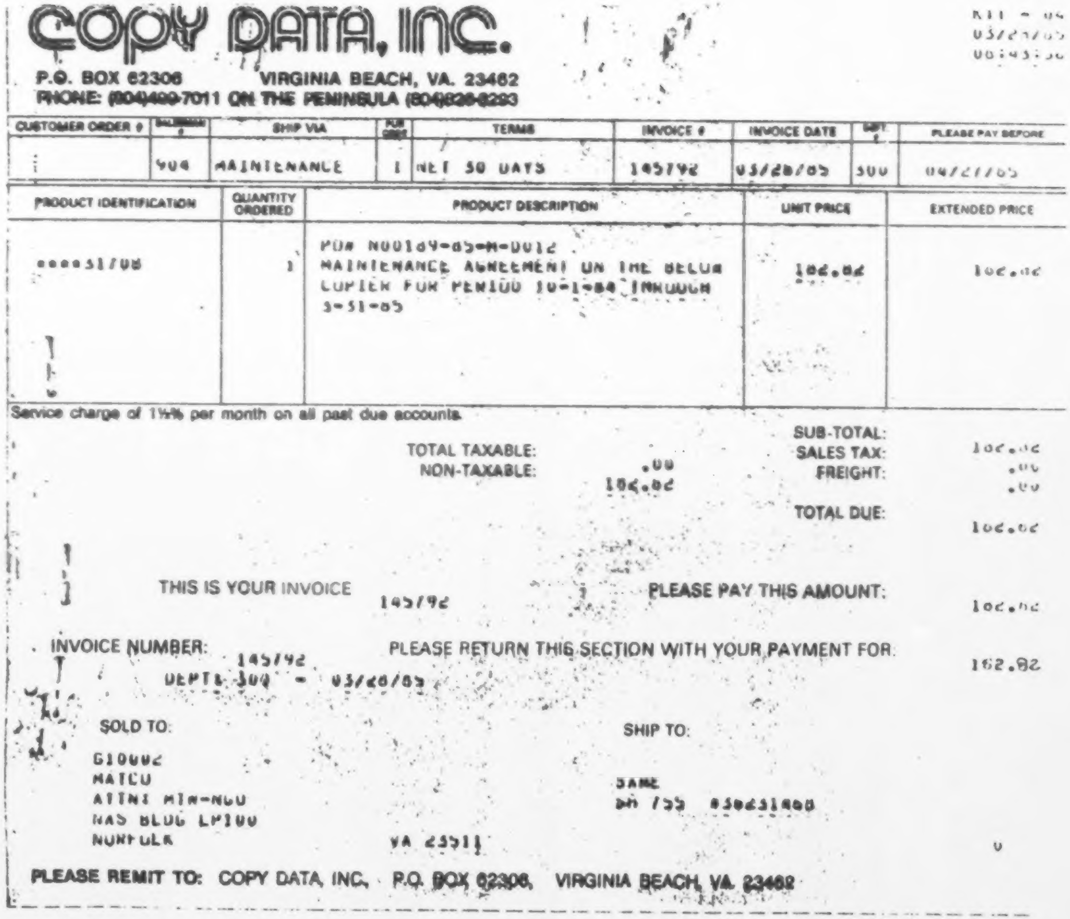
Dear Mr. Smith,

As per your request, I have attached copies of the outstanding invoice and purchase order. Please resubmit for payment as soon as possible.

If you have any questions please call.

Sincerely,

Tena P. Braxton
Credit Department
(804) 499-7011
ext. 212



COPY DATA, INC.

P.O. BOX 62306 VIRGINIA BEACH, VA. 23462
PHONE: (804)499-7011 ON THE PENINSULA (804)826-8293

KTT - 04
03/29/85
08:43:50

CUSTOMER ORDER #	SALESMAN #	SHIP VIA	PUR CODE	TERMS	INVOICE #	INVOICE DATE	DEPT #	PLEASE PAY BEFORE
	904	MAINTENANCE	1	NET 30 DAYS	145792	03/28/85	300	04/27/85

PRODUCT IDENTIFICATION	QUANTITY ORDERED	PRODUCT DESCRIPTION	UNIT PRICE	EXTENDED PRICE
*****31708	1	PO# N00189-85-M-0012 MAINTENANCE AGREEMENT ON THE BELOW COPIER FOR PERIOD 10-1-84 THROUGH 3-31-85	162.82	162.82

Service charge of 1½% per month on all past due accounts.

TOTAL TAXABLE:	.00	SUB-TOTAL:	162.82
NON-TAXABLE:	162.82	SALES TAX:	.00
		FREIGHT:	.00
		TOTAL DUE:	162.82

THIS IS YOUR INVOICE 145792 PLEASE PAY THIS AMOUNT: 162.82

INVOICE NUMBER: 145792 PLEASE RETURN THIS SECTION WITH YOUR PAYMENT FOR: 162.82

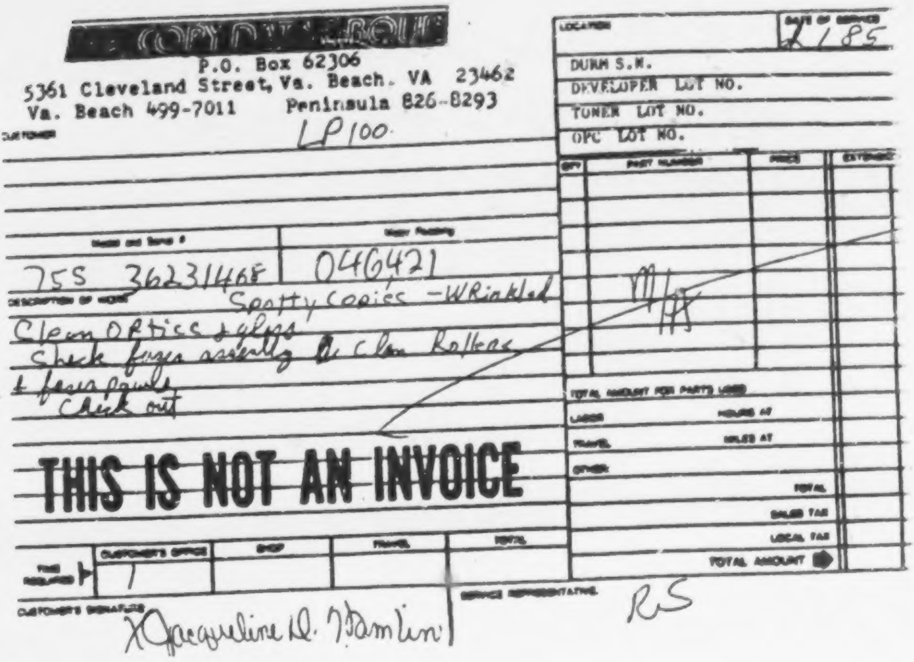
DEPT. 300 - 03/28/85

SOLD TO:
G10002
NAVCO
ATTN: MIN-NCO
NAS BLDG LP100
NORFOLK VA 23511

SHIP TO:
SAME
SH 755 850231800

0

PLEASE REMIT TO: COPY DATA, INC., P.O. BOX 62306, VIRGINIA BEACH, VA. 23462



P.O. Box 62306
5361 Cleveland Street, Va. Beach. VA 23462
Va. Beach 499-7011 Peninsula 826-8293

CUSTOMER LP100

MODEL and SERIAL #	METER READING
75S 36231468	046421

DESCRIPTION OF WORK Spotty Copies - Wrinkled
Clean Optics & glass
Check fuser assembly & Clean Rollers
& fuser pawls
Check out

THIS IS NOT AN INVOICE

TIME REQUIRED	CUSTOMER'S OFFICE	SHOP	TRAVEL	TOTAL
	1			

CUSTOMER'S SIGNATURE X Jacqueline W. Hamlin

SERVICE REPRESENTATIVE RS

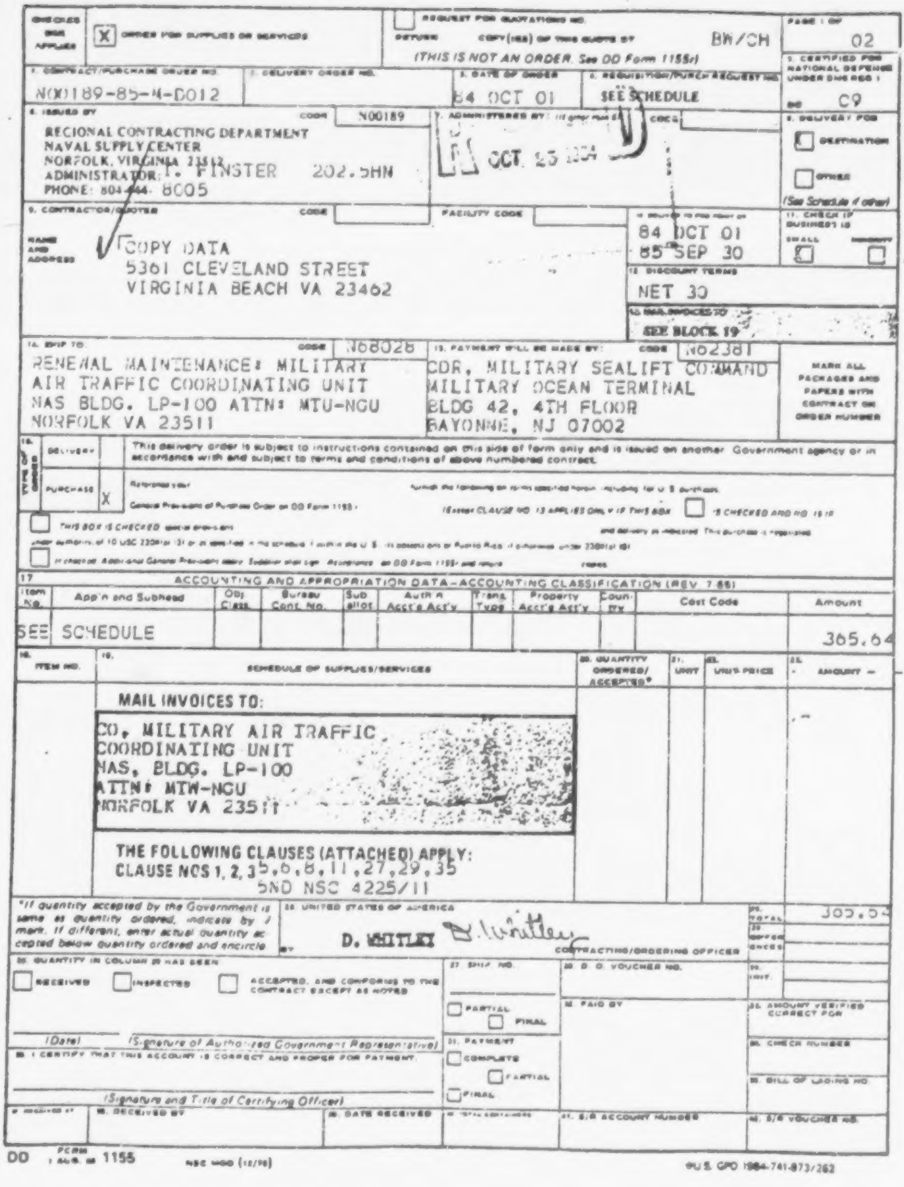
LOCATION

DATE OF SERVICE 2/85

DURM S.N.
DEVELOPER LOT NO.
TONER LOT NO.
OPC LOT NO.

QTY	PART NUMBER	PRICE	EXTENDED

TOTAL AMOUNT FOR PARTS USED
LABOR HOURS AT
TRAVEL MILES AT
OTHER
TOTAL
SALES TAX
LOCAL TAX
TOTAL AMOUNT



☒ ORDER FOR SUPPLIES OR SERVICES

☐ REQUEST FOR QUOTATIONS NO.

RETURN COPY(IES) OF THIS QUOTE BY BW/CH

(THIS IS NOT AN ORDER. See DD Form 1155r)

PAGE 1 OF 02

1. CONTRACT/PURCHASE ORDER NO. N00189-85-M-D012

2. DELIVERY ORDER NO.

3. DATE OF ORDER 84 OCT 01

4. REQUISITION/PURCH REQUEST NO. SEE SCHEDULE

5. CERTIFIED FOR NATIONAL DEFENSE UNDER DMS REG 1 DO C9

6. ISSUED BY CODE N00189

REGIONAL CONTRACTING DEPARTMENT
NAVAL SUPPLY CENTER
NORFOLK, VIRGINIA 23512
ADMINISTRATOR: T. FINSTER 202.5HN
PHONE: 804-444-8005

7. ADMINISTERED BY

OCT 23 1984

8. DELIVERY FOB ☐ DESTINATION ☐ OTHER (See Schedule if other)

9. CONTRACTOR/QUOTER CODE FACILITY CODE

NAME AND ADDRESS
COPY DATA
5361 CLEVELAND STREET
VIRGINIA BEACH VA 23462

10. DELIVER TO FOB POINT BY
84 OCT 01
85 SEP 30

11. CHECK IF BUSINESS IS SMALL ☐ ☐

12. DISCOUNT TERMS NET 30

13. MAIL INVOICES TO SEE BLOCK 19

14. SHIP TO CODE N68028
RENEWAL MAINTENANCE: MILITARY
AIR TRAFFIC COORDINATING UNIT
NAS BLDG. LP-100 ATTN: MTU-NGU
NORFOLK VA 23511

15. PAYMENT WILL BE MADE BY CODE N62381
CDR, MILITARY SEALIFT COMMAND
MILITARY OCEAN TERMINAL
BLDG 42, 4TH FLOOR
BAYONNE, NJ 07002

MARK ALL PACKAGES AND PAPERS WITH CONTRACT OR ORDER NUMBER

16. TYPE OF ORDER

DELIVERY ☐ This delivery order is subject to instructions contained on this side of form only and is issued on another Government agency or in accordance with and subject to terms and conditions of above numbered contract.

PURCHASE X

17 ACCOUNTING AND APPROPRIATION DATA–ACCOUNTING CLASSIFICATION (REV 7 85)

Item No.	App'n and Subhead	Obj Class	Bureau Cont. No.	Sub allot	Auth A Acct'g Act'y	Trans Type	Property Acct'g Act'y	Country	Cost Code	Amount
SEE	SCHEDULE									365.64

18. ITEM NO.	19. SCHEDULE OF SUPPLIES/SERVICES	20. QUANTITY ORDERED/ ACCEPTED*	21. UNIT	22. UNIT PRICE	23. AMOUNT
	MAIL INVOICES TO: CO, MILITARY AIR TRAFFIC COORDINATING UNIT NAS, BLDG. LP-100 ATTN: MTW-NGU NORFOLK VA 23511 THE FOLLOWING CLAUSES (ATTACHED) APPLY: CLAUSE NOS 1, 2, 35,6,8,11,27,29,35 5ND NSC 4225/11				

*If quantity accepted by the Government is same as quantity ordered, indicate by ✓ mark. If different, enter actual quantity accepted below quantity ordered and encircle

24. UNITED STATES OF AMERICA
BY D. WHITLEY D. Whitley
CONTRACTING/ORDERING OFFICER

25. TOTAL 365.64

26. QUANTITY IN COLUMN 20 HAS BEEN ☐ RECEIVED ☐ INSPECTED ☐ ACCEPTED, AND CONFORMS TO THE CONTRACT EXCEPT AS NOTED

(Date) (Signature of Authorized Government Representative)

27. SHIP. NO. ☐ PARTIAL ☐ FINAL

28. D. O. VOUCHER NO.

29. PAID BY

30. I CERTIFY THAT THIS ACCOUNT IS CORRECT AND PROPER FOR PAYMENT.

(Signature and Title of Certifying Officer)

31. PAYMENT ☐ COMPLETE ☐ PARTIAL ☐ FINAL

AMOUNT VERIFIED CORRECT FOR

CHECK NUMBER

BILL OF LADING NO.

RECEIVED BY

DATE RECEIVED

S/R ACCOUNT NUMBER

S/R VOUCHER NO.

DD FORM 1 AUG 68 1155 NSC 4400 (12/76)

U.S. GPO 1984-741-873/262

STANDARD FORM 36, JULY 1966 GENERAL SERVICES ADMINISTRATION FED. PROC. REG. (41 CFR) 1-16.101 [illegible]	CONTINUATION SHEET	REF. NO. OF DOC. BEING CONT'D. N00189-85-M-D012	PAGE 02	OF 02

NAME OF OFFEROR OR CONTRACTOR
COPY DATA

ITEM NO.	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001	RENEWAL MAINTENANCE ON: SHARP 775 COPIER SERIAL #36231468 COPY USAGE: UNLIMITED	1	YR	365.64	365.64
	REQN N6802842260058 ACR: AA				
	COPY DATA PHONE 499-7011				
	PREVIOUS ORDER N00189-84-M-D035				
	BILLED SEMI-ANNUALLY				
	MAINTENANCE INCLUDES SERVICE, PARTS AND LABOR, EXCLUDES TONER DEVELOPER, DRUM OCP MASTER AND SUPPLY ITEMS				
	FUNDS ARE NOT PRESENTLY AVAILABLE FOR PERFORMANCE UNDER THIS CONTRACT BEYOND 02 OCTOBER 1984. THE GOVERNMENT'S OBLIGATION FOR PERFORMANCE OF THIS CONTRACT BEYOND THAT DATE IS CONTINGENT UPON THE AVAILABILITY OF APPROPRIATED FUNDS FROM WHICH PAYMENT FOR CONTRACT PURPOSES CAN BE MADE. NO LEGAL LIABILITY ON THE PART OF THE GOVERNMENT FOR ANY PAYMENT MAY ARISE FOR PERFORMANCE UNDER THIS CONTRACT BEYOND 02 OCTOBER 1984, UNTIL FUNDS ARE MADE AVAILABLE TO THE CONTRACTING OFFICER.				
	PQA/ACCEPT: DESTINATION MILSTRIP DATA: TP: 2 /PROJ: NONE /RDD: 4275				
	**** ACCOUNTING DATA ****				
AA	21X4992.0351 C00 35000 0 028113 2D	000475			000000075150
	***** END ACCOUNTING *****				

☐ PREPAID SHIPMENT REIMBURSABLE TRANSPORTATION

Transportation charges shall be prepaid by the contractor subject to reimbursement by the Government. Material will be delivered F.O.B. Supplier's plant ______________ with shipment to be made to destination(s) specified herein.

The transportation cost is to be shown on the same invoice as supplies are billed but as a separate item. The contractor agrees to retain related transportation billings paid separately for a period of three years and to furnish such bills to the Government when requested for audit purposes. For obligation purposes only, the transportation cost chargeable to the funds indicated herein is estimated to be $ ______________

For proper consignment instructions see the DOD Activity Address Directory (NavSup P-1544) and the Terminal Facilities Guide, United States Navy, Marine Corps and Coast Guard (NavSup P-468), as appropriate.

NSC MOD (REV 3-83)

Senator TRIBLE. So the upshot of your testimony is that because of the continuing problems that you have encountered as a small-businessman in receiving payment from the Government, you have substantially diminished the business you do with the Government?

Mr. GIANASCOLI. Yes, sir.

Senator TRIBLE. Now, that has an adverse impact, I would think, on taxpayers if that impact is widespread. Fewer people out there competing for work reduces the level of competition and inevitably makes the Government's task of doing its job more effectively more difficult.

Mr. GIANASCOLI. Yes, sir. That probably, for the Federal Government, I think if anything else, it eliminates or reduces greatly their choice in goods and services that would be offered to them either on a timely basis or in a select field.

Senator TRIBLE. Mr. Hoey.

STATEMENT OF CLYDE R. HOEY II, PRESIDENT, GRIMSLEY & GRIMSLEY, INC., PORTSMOUTH, VA, AND VICE CHAIRMAN, COMBINED CHAMBERS OF COMMERCE

Mr. HOEY. Yes, sir. I apologize for wandering in. I was told the first panel.

Senator TRIBLE. See, you were right on schedule. I would much rather you take your place and be ready to speak.

Mr. HOEY. I assumed the last word I had was correct, Senator. I appreciate being invited to be with you today. As an industrial distibutor firm, we are in the middle between the supplier and the end user. Therefore, we are accustomed to having to buy our money and mortgage it in order to furnish the goods and services that are needed.

Senator TRIBLE. Grimsley & Grimsley is a distributor of industrial equipment?

Mr. HOEY. That's correct. Industrial equipment and supplies.

Senator TRIBLE. You are also the vice chairman of the chamber of commerce, are you not?

Mr. HOEY. Yes, sir.

Senator TRIBLE. All right. Why don't you pass that microphone over as well?

Can you hear in the back of the room? Can you all hear?

VOICE. Not too well.

Senator TRIBLE. Not too well.

Mr. HOEY. All right. We'll give it a shot then.

Senator TRIBLE. Great.

Mr. HOEY. At the inception of the act we were doing a significant amount of business with the Government and were experiencing in some instances 30 to 60 days over and above our terms, out to 2 years. With the inception of the act we were somewhat amazed to find that bills that had been outstanding for almost 2 years were paid, and we were virtually brought current across the board. It was very satisfying.

It has slipped some. But our general experience today is that we're running in the neighborhood of 45 to 60 days on the majority of the accounts, and I can live with that—don't want to—but it is such an improvement over what I have experienced in the past that I will accept it.

As to activities, we call on an awful lot of naval facilities as well as the Army and the Marine Corps. We have had very good performance by the majority of them, all falling within the terms that I have just given you.

It may be partly the nature of the product that we furnish because we have spent an extensive amount of time contacting the different agencies to make certain that we understand what our paperwork should reflect.

You heard FAADCLANT Fleet Atlantic being referred to a while ago. And the comment given me by my comptroller this morning was it's doing a fantastic job. And they are to be commended. We are running current 27 to 30 days with them straight up.

FAADCPAC West Coast, we are having a horrible time with. At the present time we have about 8 or 10 invoices that are running in the 90- to 190-day range. We have instances where we have to make split shipments because of their requirements, and it is taking an extended amount of time for that paperwork to be matched up and paid back to us.

Senator TRIBLE. Now, how do you go about following up on these transactions, gentlemen?

Mr. HOEY. We have done a good deal of research in finding the right person to contact in each one of the agencies that will look after us so far as giving us information. If we are asked to furnish additional invoices, most of the time they do want an original. This does take time and an investment on our part to do it. It is furnished. And in most instances we have been successful in being able to get paid.

Now, I have a couple of examples that I have in here for you where they date back to 1984, specifically dealing with a ship, where we have not gotten paid, and we know that that has got to be a problem with someone on the vessel not giving proper approval for payment.

Senator TRIBLE. It does seem to be beyond the mandate of the law.

Mr. HOEY. Yes; absolutely. Aside from that, the grace period is being used, and the time clock is not starting until such time as they have approved it for payment, even on these that are dating a year old.

I have an example in there where we contacted just a couple of weeks ago regarding payment on an outstanding invoice that dates over a year old. We know for a fact that the time clock on that will not start until they have actually received that invoice and gotten it approved through their system.

Frankly, if I could get my money, I would be happy to get my money. In most instances on that, with regard to getting paid interest, I have been fairly pleasantly surprised that we are—especially with FAADCLANT, it has extended past the normal terms and conditions, they have paid the interest to us. We have not had to request it from them. They have been better than any other agency we've dealt with.

DGSC, Defense General, has done an excellent job. We've only had three instances in the last 3 years where they have gone outside the grace period in paying, and they have paid their interest when it was due.

Senator **Trible**. Now, let me ask you this. In terms of that 45-day period, you've indicated that on the average the timespan is 45 to 60 days, I believe.

Mr. **Hoey**. Yes, sir.

Senator **Trible**. Now, does that count 45 to 60 days from the date you submit your bill?

Mr. **Hoey**. Yes, sir.

Senator **Trible**. So you're not having the difficulty then that some have found, that it takes some time for——

Mr. **Hoey**. I think the reason we haven't had the difficulty is we've taken the time and the effort to try to find the proper channels for the paperwork and make sure that all the i's are dotted and the t's are crossed and that proper documentation is furnished to them. We have an extra person on our staff who does nothing but this and has greased the rails, if you would, to make sure that our paperwork is going through. Without it, we would probably be in the same shape as everyone else.

Senator **Trible**. Right.

Mr. **Gianascoli**. Senator, that's paramount. You must have someone working the invoices that you submit to the Government. If you don't, you will just have total chaos.

Senator **Trible**. It seems you need somebody on both sides.

Mr. **Gianascoli**. Good point.

Mr. **Hoey**. That is an excellent point. It had been recommended through the small business group at the chamber that possibly we may want to try to establish a seminar situation here in the Hampton Roads area where we could make small businesses aware of who the contacts are, and this is being worked on for this next year.

I will say that where we have invited our friends in the military to participate in seminars regarding this, they have been very forthright in doing so, and quite beneficial in helping us know who to contact.

Senator **Trible**. That certainly has been my experience in dealing with the Federal Government.

[The prepared statement of Mr. Hoey follows:]

Grimsley & Grimsley, Inc.

P.O. Box 1097 · Portsmouth, Virginia 23705-1097

3923 Victory Blvd.
Portsmouth, Va. 23701
804-465-1111

2332 Oscar Johnson Drive
Charleston Hts., S.C. 29405
803-554-6016

1435 Lakeside Circle
Salem, Va. 24153
703-389-9328

P.O. Box 7363
Charlotte, N.C. 28217
704-588-4180

STATEMENT OF
CLYDE R. HOEY, II
PRESIDENT AND CHAIRMAN OF THE BOARD
GRIMSLEY & GRIMSLEY, INC.

BEFORE THE
SENATE COMMITTEE ON SMALL BUSINESS
"PROMPT PAYMENT ACT"

ON
PUBLIC LAW 97-177
of 1982

DECEMBER 2, 1985

56-726 214

southern industrial distributors association

"Industrial Tooling Specialists"

PROMPT PAYMENT ACT OF 1982

PUBLIC LAW 97-177

Mr. Chairman and members of the Committee, the opportunity to offer comments related to the Prompt Payment Act are appreciated.

In 1982, prior to the implementation of the Pulic Law 97-177 my company had in excess of 200 invoices that were delinquent in accordance with our quoted terms of 1% 10 Net 30 Days. Some 70% of these invoices were due from various Naval acttivities throughout the Hampton Roads area. The balance were due from the Defense General Supply Center in Richmond and the Charleston Naval Shipyard in Charleston, South Carolina.

With the implementation of the Prompt Payment Act we were impressed with the speed and accuracy with which our invoices were paid. In fact, we finally received payment on invoices which were in excess of two years of age.

In most situations, we have received interest where due and our invoices are being paid in accordance with the contract terms. FAADCLANT is doing a great job provided you do your paperwork correctly. FAADCPAC has done fair, but is having problems clearing old transactions even though new invoices and proof-of-delivery have been furnished on more than one occasion for the same transaction.

Following a close analysis of our government receivables, it has been determined that the majority of our invoices are sliding into the "Grace Period" before being processed. This is a vast improvement over our previous experience prior to the "Prompt Payment Act"; however, there is still room for improvement. For instance, we find NARF is consistantly taking a discount when paying bills that are 65-75 days past the terms of the contract.

One area that seems to give consistant problems is where we are authorized to make partial shipments. The paperwork getting matched up properly for these payments seems to take excessive time and usually ends up with the need for interest to be paid. In most of these cases the interest has been paid without request.

On several occasions we have been requested to re-submit our invoice as it has not been received by the paying activity. In these cases, the payment clock does not revert to the original date of submittal, but is started with the receipt of our second submittal. Keep in mind the goods have been received by the activity at the date of the original transaction.

In summary, the entire payment process has improved greatly over the years prior to the "Prompt Payment Act". FAADCPAC is our slowest paying client with about 50% of their contracts now in the 90 Day Past Due Column. Other examples are attached for your review. If we as a Vendor/Contractor do our paperwork properly the cash flows.

Respectfully submitted,

Clyde Hoey

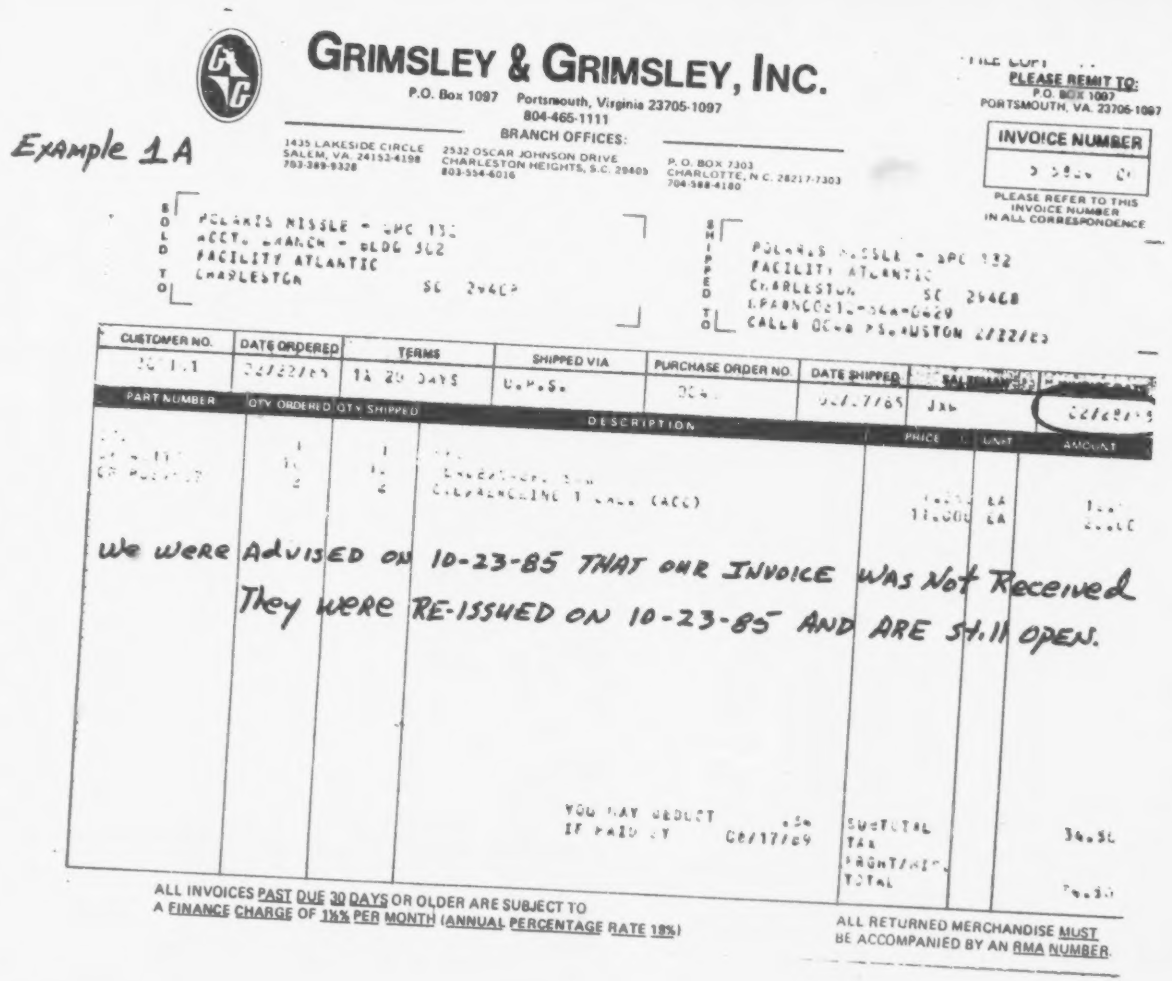
Clyde R. Hoey, II
President

CRH:ck

Attachment

Government Payments
Terms 1% 20 days

Invoice #	Invoice Date	Pay date	Disc.	Days	Amount of invoice
Norfolk Naval Shipyard:					
506816	5/31	6/21	9.98	21	998.40
506723	6/27	8/16	No	50	3,242.61
507120	6/13	7/29	13.65	29	1,364.65
507701	8/28	9/25	29.12	28	2.912.00
507815	9/17	10/11	13.43	24	1,343.00
507843	9/20	10/14	Part Pymt	24	429.00
No past due open invoice other than the partial payment.					
Code 502.3 Naval Supply Center - Regional Finance					
506812	6/17	7/15	.44	28	43.96
502879	10/9	11/8	.24	29	24.30
503033	10/10	11/8	3.95	28	394.95
No past due open invoices.					
Narf Bldg V-28 Pay by monthly summary 45 days allowed					
506785	6/19	8/29	26.12	71	2611.50
507410	7/20	8/29	7.30	40	730.00
507547	8/08	10/9	55.00	62	5500.00
507714	8/31	10/9	32.88	39	3288.00
507643	9/18	10/31	3.15	43	315.00
No past due open invoices.					
Code 402 Charleston Naval Supply Center					
507174	7/31	8/28	12.95	28	1295.00
507492	7/31	8/28	4.36	28	356.88
508014	9/30	11/12	1.70	43	170.00
No past due open invoices.					
Comptroller Code 630.111 Charleston Naval Shipyard					
506650	5/31	7/05	25.93	35	2592.69
507537	7/30	8/24	20.19	25	2018.50
507663	8/21	9/16	17.22	26	1722.40
507776	9/30	11/26	NO	57	3618.64
507743	10/18	11/18	15.31	30	1530.94
No past due invoices.					



Example 1A

GRIMSLEY & GRIMSLEY, INC.

P.O. Box 1097 Portsmouth, Virginia 23705-1097
804-465-1111

BRANCH OFFICES:

1435 LAKESIDE CIRCLE
SALEM, VA. 24152-4198
703-389-9328

2532 OSCAR JOHNSON DRIVE
CHARLESTON HEIGHTS, S.C. 29405
803-554-6016

P. O. BOX 7303
CHARLOTTE, N C. 28217-7303
704-588-4180

FILE COPY

PLEASE REMIT TO:
P.O. BOX 1097
PORTSMOUTH, VA. 23705-1097

INVOICE NUMBER
[illegible]

PLEASE REFER TO THIS
INVOICE NUMBER
IN ALL CORRESPONDENCE

SOLD TO
POLARIS MISSLE - SPC 132
ACCT. BRANCH - BLDG 302
FACILITY ATLANTIC
CHARLESTON SC 29408

SHIPPED TO
POLARIS MISSLE - SPC 132
FACILITY ATLANTIC
CHARLESTON SC 29408
[illegible]
CALL [illegible] AUSTON 2/22/85

CUSTOMER NO.	DATE ORDERED	TERMS	SHIPPED VIA	PURCHASE ORDER NO.	DATE SHIPPED	SALESMAN	
[illegible]	02/22/85	1% 20 DAYS	U.P.S.	[illegible]	[illegible]	JXB	[illegible]

PART NUMBER	QTY ORDERED	QTY SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
[illegible]	1	1	[illegible]			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	EA	[illegible]
[illegible]	2	2	[illegible] (ACC)	11.000	EA	[illegible]

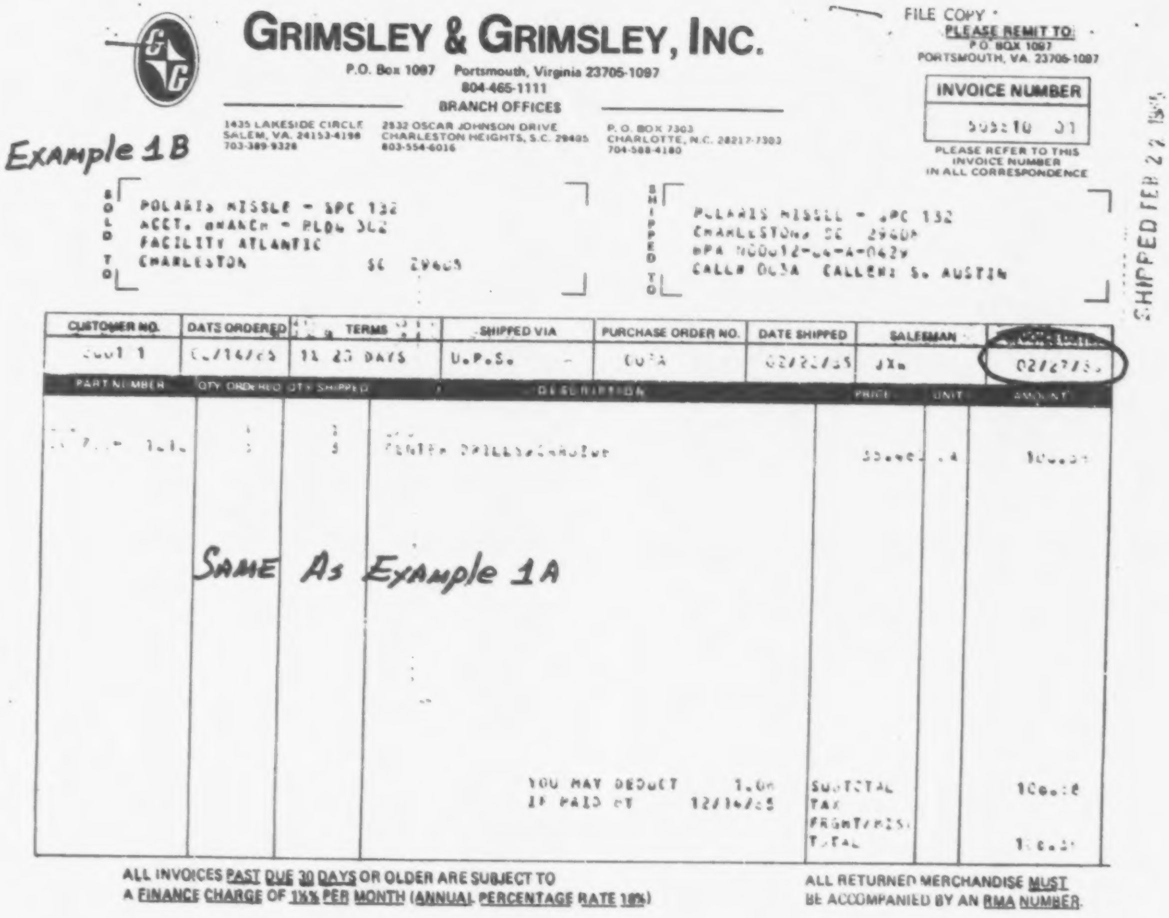
We were Advised on 10-23-85 THAT our Invoice was Not Received
They were RE-ISSUED ON 10-23-85 AND ARE Still OPEN.

YOU MAY DEDUCT [illegible]
IF PAID BY [illegible]

SUBTOTAL [illegible]
TAX
FREIGHT/[illegible]
TOTAL [illegible]

ALL INVOICES PAST DUE 30 DAYS OR OLDER ARE SUBJECT TO
A FINANCE CHARGE OF 1½% PER MONTH (ANNUAL PERCENTAGE RATE 18%)

ALL RETURNED MERCHANDISE MUST
BE ACCOMPANIED BY AN RMA NUMBER.



GRIMSLEY & GRIMSLEY, INC.

P.O. Box 1097 Portsmouth, Virginia 23705-1097
804-465-1111

BRANCH OFFICES

1435 LAKESIDE CIRCLE
SALEM, VA. 24153-4198
703-389-9328

2532 OSCAR JOHNSON DRIVE
CHARLESTON HEIGHTS, S.C. 29405
803-554-6016

P. O. BOX 7303
CHARLOTTE, N.C. 28217-7303
704-588-4180

FILE COPY

PLEASE REMIT TO:
P.O. BOX 1097
PORTSMOUTH, VA. 23705-1097

INVOICE NUMBER
505210 01

PLEASE REFER TO THIS INVOICE NUMBER IN ALL CORRESPONDENCE

SHIPPED FEB 22 1985

Example 1B

SOLD TO
POLARIS MISSLE - SPC 132
ACCT. BRANCH - BLDG 302
FACILITY ATLANTIC
CHARLESTON SC 29405

SHIPPED TO
POLARIS MISSLE - SPC 132
CHARLESTON, SC 29404
BPA N00012-84-A-0429
CALL# 0L3A CALLER: S. AUSTIN

CUSTOMER NO.	DATS ORDERED	TERMS	SHIPPED VIA	PURCHASE ORDER NO.	DATE SHIPPED	SALESMAN	[illegible]
[illegible] 1	[illegible]/14/[illegible]	1% 20 DAYS	U.P.S. -	[illegible]	02/22/85	JXW	02/27/85

PART NUMBER	QTY ORDERED	QTY SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
[illegible]	[illegible]	[illegible]	CENTER DRILLS [illegible]	[illegible]	[illegible]	100.[illegible]

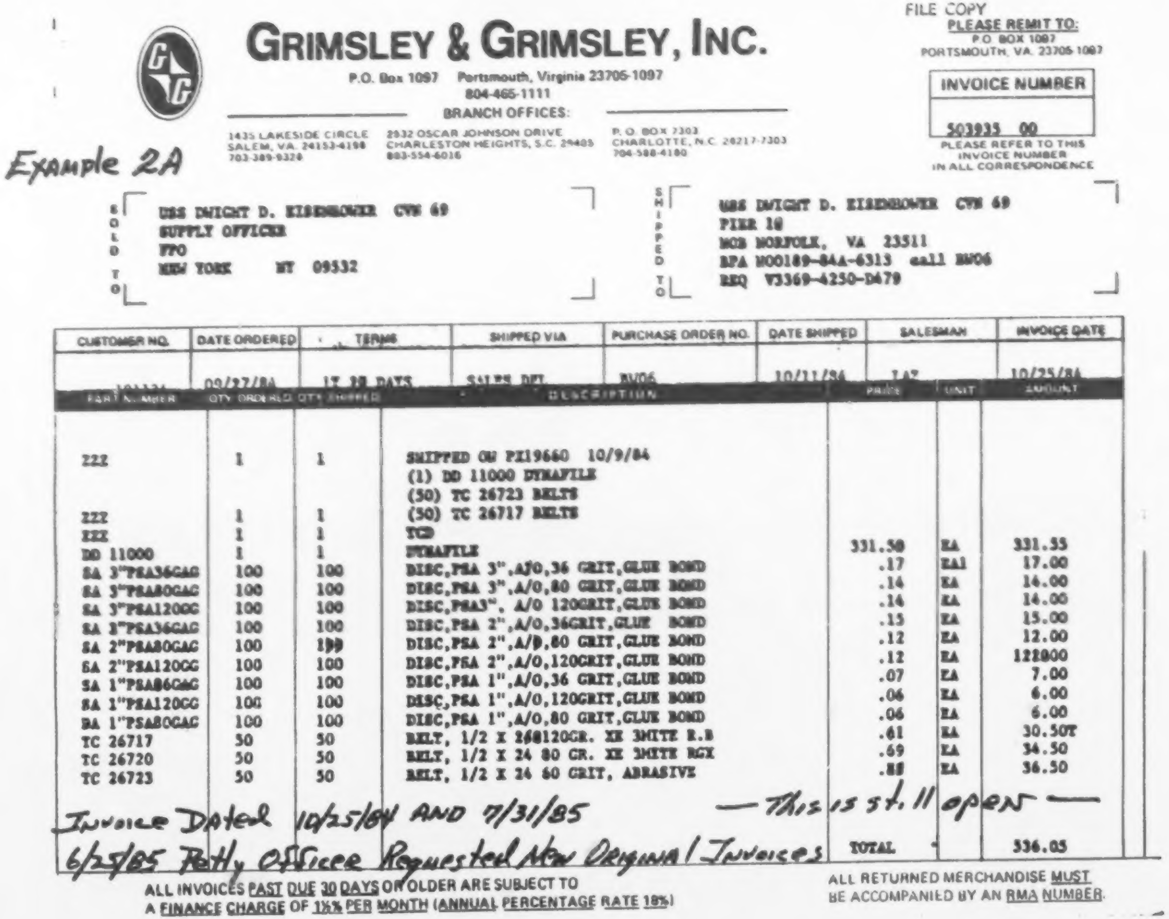
Same As Example 1A

YOU MAY DEDUCT 1.00
IF PAID BY 12/14/85

SUBTOTAL	100.[illegible]
TAX	
FRGHT/MISC.	
TOTAL	100.[illegible]

ALL INVOICES PAST DUE 30 DAYS OR OLDER ARE SUBJECT TO A FINANCE CHARGE OF 1½% PER MONTH (ANNUAL PERCENTAGE RATE 18%)

ALL RETURNED MERCHANDISE MUST BE ACCOMPANIED BY AN RMA NUMBER.



Example 2A

FILE COPY
PLEASE REMIT TO:
P.O. BOX 1097
PORTSMOUTH, VA. 23705-1097

INVOICE NUMBER
503935 00
PLEASE REFER TO THIS INVOICE NUMBER IN ALL CORRESPONDENCE

GRIMSLEY & GRIMSLEY, INC.
P.O. Box 1097 Portsmouth, Virginia 23705-1097
804-465-1111

BRANCH OFFICES:

1435 LAKESIDE CIRCLE
SALEM, VA. 24153-4198
703-389-9328

2932 OSCAR JOHNSON DRIVE
CHARLESTON HEIGHTS, S.C. 29405
803-554-6016

P.O. BOX 7303
CHARLOTTE, N.C. 28217-7303
704-588-4180

SOLD TO
USS DWIGHT D. EISENHOWER CVN 69
SUPPLY OFFICER
FPO
NEW YORK NY 09532

SHIPPED TO
USS DWIGHT D. EISENHOWER CVN 69
PIER 10
NOB NORFOLK, VA 23511
BPA N00189-84A-6313 call RW06
REQ V3369-4250-D479

CUSTOMER NO.	DATE ORDERED	TERMS	SHIPPED VIA	PURCHASE ORDER NO.	DATE SHIPPED	SALESMAN	INVOICE DATE
[illegible]	09/27/84	[illegible] DAYS	SALES DEL	RW06	10/11/84	[illegible]	10/25/84

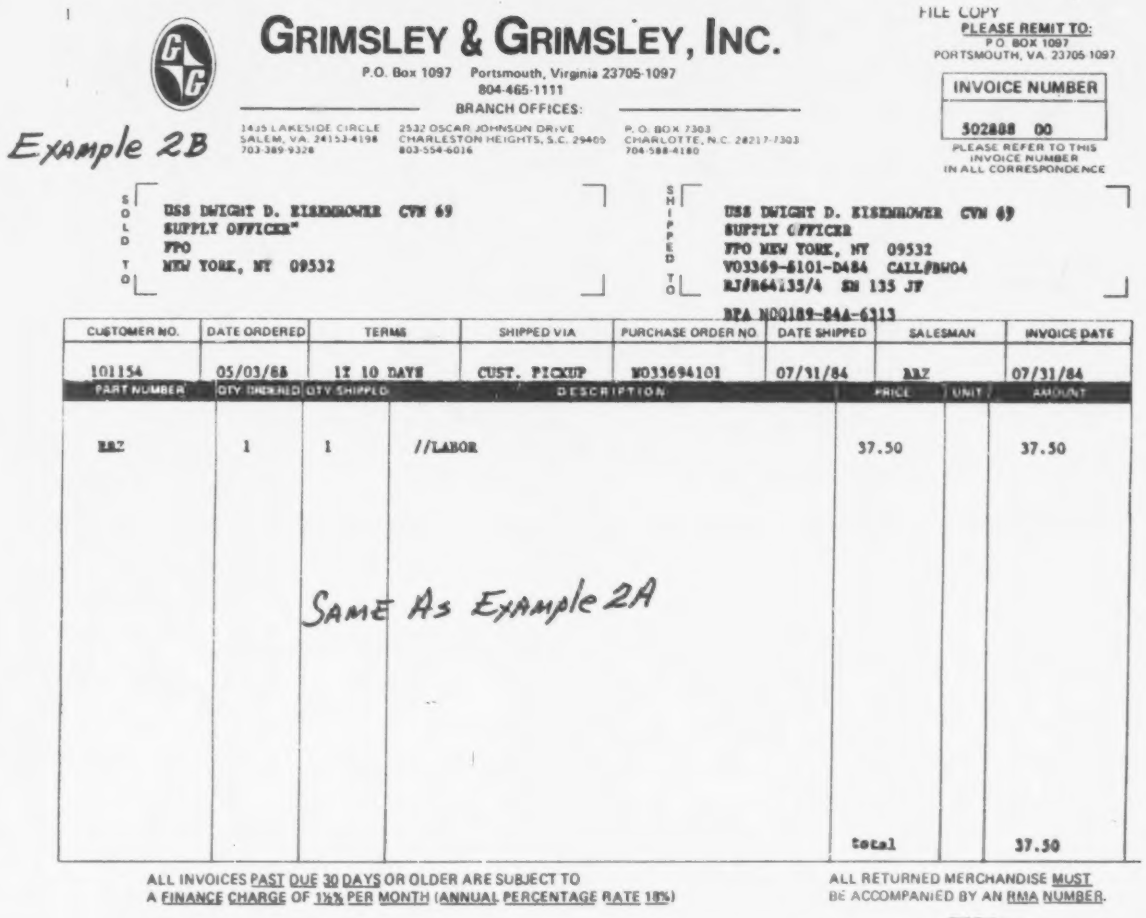
PART NUMBER	QTY ORDERED	QTY SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
222	1	1	SHIPPED ON PX19660 10/9/84 (1) DD 11000 DYNAFILE (50) TC 26723 BELTS			
222	1	1	(50) TC 26717 BELTS			
222	1	1	TCD			
DD 11000	1	1	DYNAFILE	331.50	EA	331.55
SA 3"PSA36GAG	100	100	DISC,PSA 3",A/O,36 GRIT,GLUE BOND	.17	EA1	17.00
SA 3"PSA80GAG	100	100	DISC,PSA 3",A/O,80 GRIT,GLUE BOND	.14	EA	14.00
SA 3"PSA120GG	100	100	DISC,PSA3", A/O 120GRIT,GLUE BOND	.14	EA	14.00
SA 3"PSA36GAG	100	100	DISC,PSA 2",A/O,36GRIT,GLUE BOND	.15	EA	15.00
SA 2"PSA80GAG	100	100	DISC,PSA 2",A/O,80 GRIT,GLUE BOND	.12	EA	12.00
SA 2"PSA120GG	100	100	DISC,PSA 2",A/O,120GRIT,GLUE BOND	.12	EA	122000
SA 1"PSA36GAG	100	100	DISC,PSA 1",A/O,36 GRIT,GLUE BOND	.07	EA	7.00
SA 1"PSA120GG	100	100	DISC,PSA 1",A/O,120GRIT,GLUE BOND	.06	EA	6.00
SA 1"PSA80GAG	100	100	DISC,PSA 1",A/O,80 GRIT,GLUE BOND	.06	EA	6.00
TC 26717	50	50	BELT, 1/2 X 24 120GR. XE 3MITE R.B	.61	EA	30.50T
TC 26720	50	50	BELT, 1/2 X 24 80 GR. XE 3MITE RGX	.69	EA	34.50
TC 26723	50	50	BELT, 1/2 X 24 60 GRIT, ABRASIVE	.88	EA	36.50
				TOTAL		336.05

Invoice Dated 10/25/84 AND 7/31/85 — This is still open —

6/25/85 Petty Officer Requested New Original Invoices

ALL INVOICES PAST DUE 30 DAYS OR OLDER ARE SUBJECT TO A FINANCE CHARGE OF 1½% PER MONTH (ANNUAL PERCENTAGE RATE 18%)

ALL RETURNED MERCHANDISE MUST BE ACCOMPANIED BY AN RMA NUMBER.



Example 2B

GRIMSLEY & GRIMSLEY, INC.

P.O. Box 1097 Portsmouth, Virginia 23705-1097
804-465-1111

BRANCH OFFICES:

1435 LAKESIDE CIRCLE
SALEM, VA. 24153-4198
703-389-9328

2532 OSCAR JOHNSON DRIVE
CHARLESTON HEIGHTS, S.C. 29405
803-554-6016

P. O. BOX 7303
CHARLOTTE, N.C. 28217-7303
704-588-4180

FILE COPY
PLEASE REMIT TO:
P.O. BOX 1097
PORTSMOUTH, VA. 23705 1097

INVOICE NUMBER
302888 00
PLEASE REFER TO THIS INVOICE NUMBER IN ALL CORRESPONDENCE

SOLD TO
USS DWIGHT D. EISENHOWER CVN 69
SUPPLY OFFICER"
FPO
NEW YORK, NY 09532

SHIPPED TO
USS DWIGHT D. EISENHOWER CVN 69
SUPPLY OFFICER
FPO NEW YORK, NY 09532
V03369-6101-D484 CALL#BW04
RJ#B64135/4 SN 135 JF

BPA N00189-84A-6313

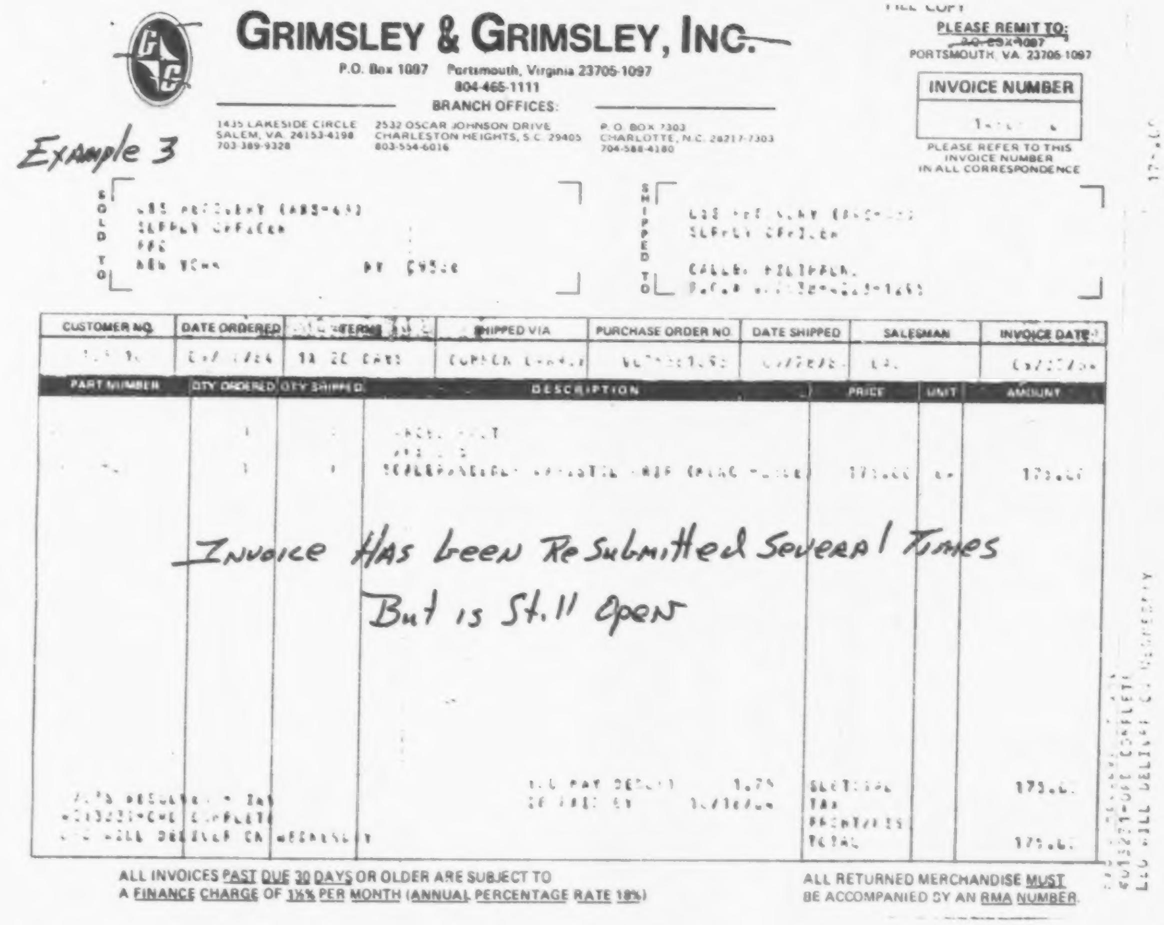
CUSTOMER NO.	DATE ORDERED	TERMS	SHIPPED VIA	PURCHASE ORDER NO	DATE SHIPPED	SALESMAN	INVOICE DATE
101154	05/03/84	1% 10 DAYS	CUST. PICKUP	N033694101	07/31/84	RRZ	07/31/84

PART NUMBER	QTY ORDERED	QTY SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
RRZ	1	1	//LABOR	37.50		37.50
			SAME As Example 2A			
				total		37.50

ALL INVOICES PAST DUE 30 DAYS OR OLDER ARE SUBJECT TO A FINANCE CHARGE OF 1½% PER MONTH (ANNUAL PERCENTAGE RATE 18%)

ALL RETURNED MERCHANDISE MUST BE ACCOMPANIED BY AN RMA NUMBER.

Example 3



FILE COPY

GRIMSLEY & GRIMSLEY, INC.

P.O. Box 1097 Portsmouth, Virginia 23705-1097
804-465-1111

BRANCH OFFICES:

1435 LAKESIDE CIRCLE
SALEM, VA. 24153-4198
703-389-9328

2532 OSCAR JOHNSON DRIVE
CHARLESTON HEIGHTS, S.C. 29405
803-554-6016

P. O. BOX 7303
CHARLOTTE, N.C. 28217-7303
704-588-4180

PLEASE REMIT TO:
~~P.O. BOX 1097~~
PORTSMOUTH, VA. 23705-1097

INVOICE NUMBER
[illegible]
PLEASE REFER TO THIS INVOICE NUMBER IN ALL CORRESPONDENCE

SOLD TO
[illegible]
SUPPLY OFFICER
[illegible]
NEW YORK NY [illegible]

SHIPPED TO
[illegible]
SUPPLY OFFICER
[illegible]
[illegible]

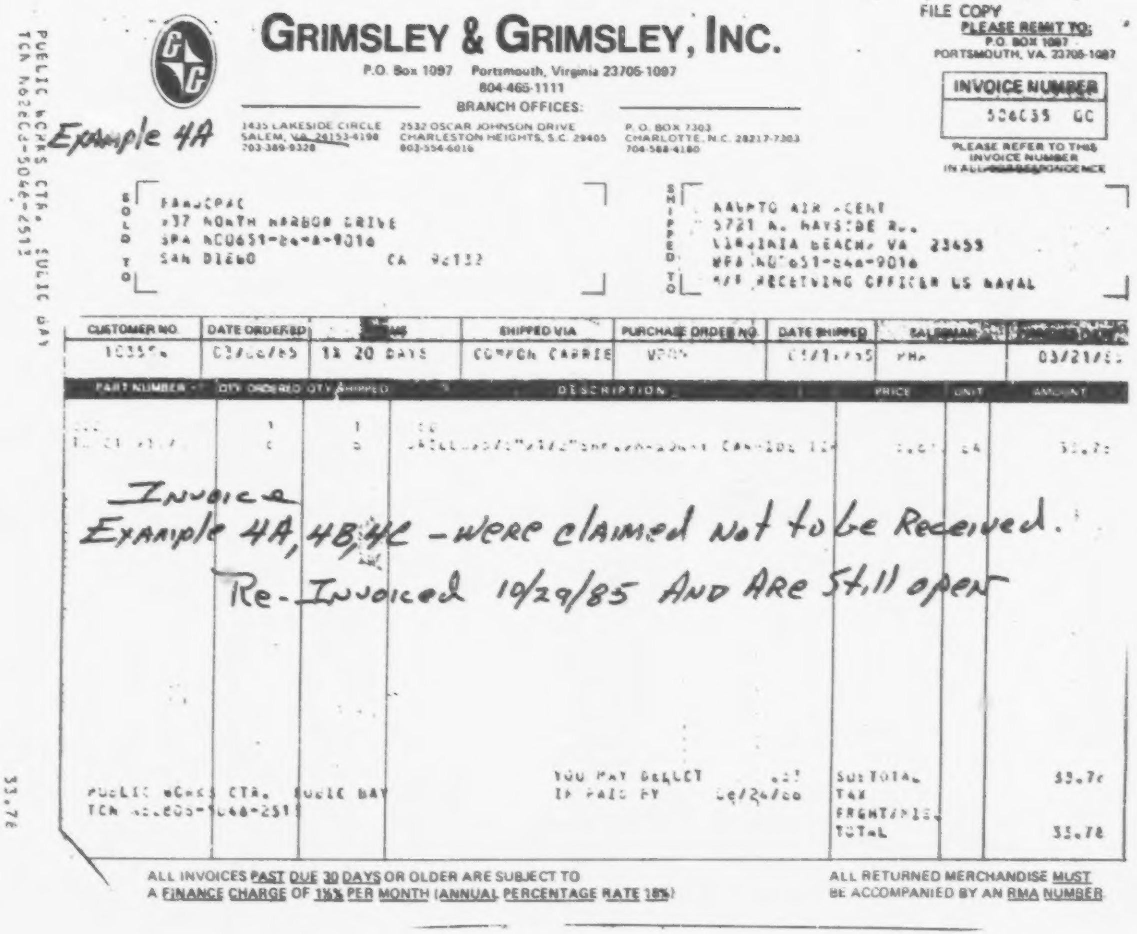
CUSTOMER NO.	DATE ORDERED	TERMS	SHIPPED VIA	PURCHASE ORDER NO.	DATE SHIPPED	SALESMAN	INVOICE DATE
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PART NUMBER	QTY ORDERED	QTY SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
	1		[illegible]			
[illegible]	1	1	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			[illegible]	SUBTOTAL		175.00
[illegible]				TAX		
[illegible]				FREIGHT/MISC		
				TOTAL		175.00

Invoice Has been ReSubmitted Several Times
But is Still Open

ALL INVOICES PAST DUE 30 DAYS OR OLDER ARE SUBJECT TO
A FINANCE CHARGE OF 1½% PER MONTH (ANNUAL PERCENTAGE RATE 18%)

ALL RETURNED MERCHANDISE MUST
BE ACCOMPANIED BY AN RMA NUMBER.



Example 4A

GRIMSLEY & GRIMSLEY, INC.

P.O. Box 1097 Portsmouth, Virginia 23705-1097
804-465-1111

BRANCH OFFICES:

1435 LAKESIDE CIRCLE
SALEM, VA 24153-4198
703-389-9328

2532 OSCAR JOHNSON DRIVE
CHARLESTON HEIGHTS, S.C. 29405
803-554-6016

P. O. BOX 7303
CHARLOTTE, N.C. 28217-7303
704-588-4180

FILE COPY
PLEASE REMIT TO:
P.O. BOX 1097
PORTSMOUTH, VA 23705-1097

INVOICE NUMBER
506035 GC

PLEASE REFER TO THIS INVOICE NUMBER IN ALL CORRESPONDENCE

SOLD TO
FAAJCPAC
937 NORTH HARBOR DRIVE
SPA NC0651-84-A-9016
SAN DIEGO CA 92132

SHIPPED TO
NAVPTO AIR AGENT
5721 N. WAYSIDE R..
VIRGINIA BEACH, VA 23455
WPA NC0651-84A-9016
M/F RECEIVING OFFICER US NAVAL

CUSTOMER NO.	DATE ORDERED	TERMS	SHIPPED VIA	PURCHASE ORDER NO.	DATE SHIPPED	SALESMAN	[illegible]
103554	03/06/85	1% 20 DAYS	COMMON CARRIE	VPOP	03/13/85	PMA	03/21/85

PART NUMBER	QTY ORDERED	QTY SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
[illegible]	1 6	1 6	[illegible] DRILL [illegible] CARBIDE [illegible]	[illegible]	EA	33.78

Invoice
Example 4A, 4B, 4C - were claimed Not to be Received.
Re-Invoiced 10/29/85 And Are Still open

PUBLIC WORKS CTR. SUBIC BAY
TCN N62605-5046-2513

YOU MAY DEDUCT .34
IF PAID BY 04/24/85

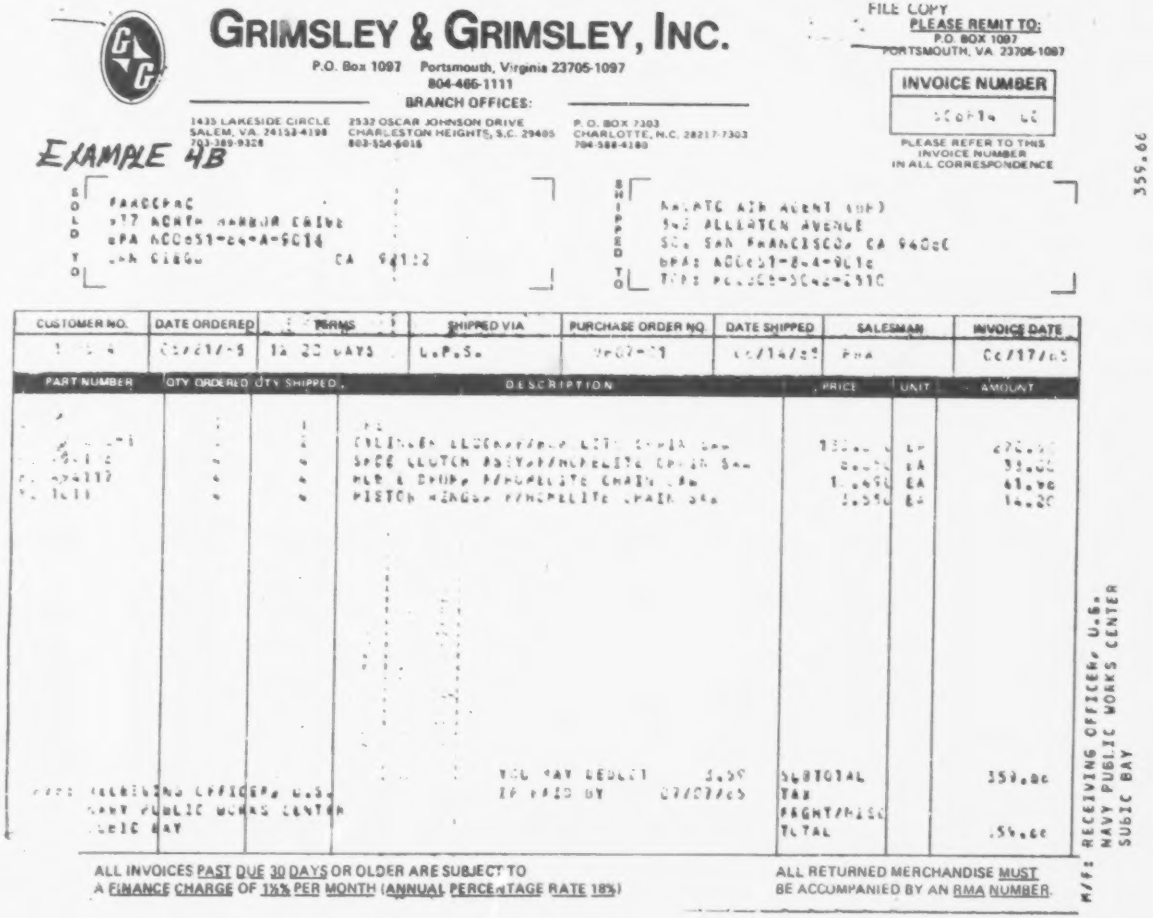
SUBTOTAL	33.78
TAX	
FRGHT/MISC.	
TOTAL	33.78

ALL INVOICES PAST DUE 30 DAYS OR OLDER ARE SUBJECT TO A FINANCE CHARGE OF 1½% PER MONTH (ANNUAL PERCENTAGE RATE 18%)

ALL RETURNED MERCHANDISE MUST BE ACCOMPANIED BY AN RMA NUMBER

PUBLIC WORKS CTR. SUBIC BAY
TCN N62603-5046-2513

33.78



EXAMPLE 4B

GRIMSLEY & GRIMSLEY, INC.

P.O. Box 1097 Portsmouth, Virginia 23705-1097
804-466-1111

BRANCH OFFICES:

1435 LAKESIDE CIRCLE
SALEM, VA. 24153-4198
703-389-9328

2532 OSCAR JOHNSON DRIVE
CHARLESTON HEIGHTS, S.C. 29405
803-554-6016

P. O. BOX 7303
CHARLOTTE, N.C. 28217-7303
704-588-4180

FILE COPY
PLEASE REMIT TO:
P.O. BOX 1097
PORTSMOUTH, VA. 23705-1097

INVOICE NUMBER
[illegible]

PLEASE REFER TO THIS
INVOICE NUMBER
IN ALL CORRESPONDENCE

359.66

SOLD TO
FAACEPAC
?17 NORTH HARBOR DRIVE
DPA ACC051-84-A-9C16
SAN DIEGO CA 92132

SHIPPED TO
NALATC AIR AGENT (UPD)
9?2 ALLERTON AVENUE
SO. SAN FRANCISCO, CA 94080
DPAS: ACC051-84-A-9C16
TPPS: [illegible]

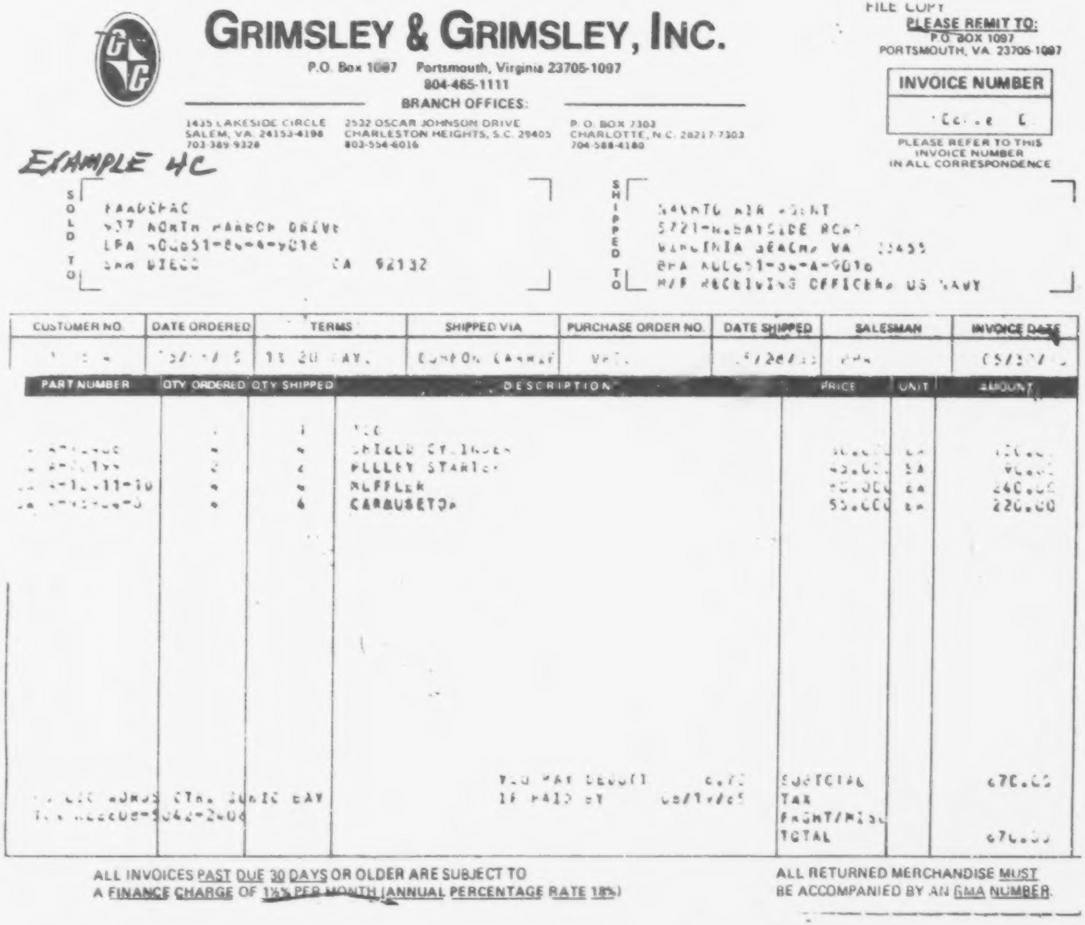
CUSTOMER NO.	DATE ORDERED	TERMS	SHIPPED VIA	PURCHASE ORDER NO.	DATE SHIPPED	SALESMAN	INVOICE DATE
[illegible]	0?/21/85	1% 20 DAYS	U.P.S.	[illegible]	0?/14/85	[illegible]	0?/17/85

PART NUMBER	QTY ORDERED	QTY SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
[illegible]	[illegible]	1	[illegible]			
[illegible]	[illegible]	2	CYLINDER ASSEMBLY/HOMELITE CHAIN SAW	135.000	EA	270.00
[illegible]	4	4	SPEC CLUTCH ASSY, P/HOMELITE CHAIN SAW	8.375	EA	33.50
[illegible]	4	4	PIN & DRUM, P/HOMELITE CHAIN SAW	10.490	EA	41.96
[illegible]	4	4	PISTON RINGS, P/HOMELITE CHAIN SAW	3.550	EA	14.20
M/F: RECEIVING OFFICER, U.S. NAVY PUBLIC WORKS CENTER SUBIC BAY			YOU MAY DEDUCT 3.59 IF PAID BY 07/27/85	SUBTOTAL TAX FRGHT/MISC TOTAL		359.66 359.66

ALL INVOICES PAST DUE 30 DAYS OR OLDER ARE SUBJECT TO
A FINANCE CHARGE OF 1½% PER MONTH (ANNUAL PERCENTAGE RATE 18%)

ALL RETURNED MERCHANDISE MUST
BE ACCOMPANIED BY AN RMA NUMBER.

M/F: RECEIVING OFFICER, U.S.
NAVY PUBLIC WORKS CENTER
SUBIC BAY



FILE COPY

PLEASE REMIT TO:
P.O. BOX 1097
PORTSMOUTH, VA. 23705-1097

INVOICE NUMBER
[illegible]
PLEASE REFER TO THIS INVOICE NUMBER IN ALL CORRESPONDENCE

GRIMSLEY & GRIMSLEY, INC.

P.O. Box 1097 Portsmouth, Virginia 23705-1097
804-465-1111

BRANCH OFFICES:

1435 LAKESIDE CIRCLE
SALEM, VA. 24153-4198
703-389-9328

2532 OSCAR JOHNSON DRIVE
CHARLESTON HEIGHTS, S.C. 29405
803-554-6016

P.O. BOX 7303
CHARLOTTE, N.C. 28217-7303
704-588-4180

EXAMPLE 4C

SOLD TO
[illegible]
437 NORTH HARBOR DRIVE
LPA N00651-86-A-9016
SAN DIEGO CA 92132

SHIPPED TO
[illegible] AIR AGENT
5721 N. BAYSIDE ROAD
VIRGINIA BEACH, VA 23455
BPA N00651-86-A-9016
M/F RECEIVING OFFICER, US NAVY

CUSTOMER NO.	DATE ORDERED	TERMS	SHIPPED VIA	PURCHASE ORDER NO.	DATE SHIPPED	SALESMAN	INVOICE DATE
[illegible]	[illegible]	1% 20 DAY.	COMMON CARRIER	[illegible]	[illegible]	[illegible]	[illegible]

PART NUMBER	QTY ORDERED	QTY SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
		1	[illegible]			
[illegible]	4	4	SHIELD CYLINDER	30.000	EA	120.00
[illegible]	2	2	PULLEY STARTER	45.000	EA	90.00
[illegible]-11-10	4	4	MUFFLER	60.000	EA	240.00
[illegible]	4	4	CARBURETOR	55.000	EA	220.00
[illegible]			YOU MAY DEDUCT 6.70 IF PAID BY [illegible]	SUBTOTAL		670.00
				TAX		
				FRGHT/MISC		
				TOTAL		670.00

ALL INVOICES PAST DUE 30 DAYS OR OLDER ARE SUBJECT TO A FINANCE CHARGE OF 1½% PER MONTH (ANNUAL PERCENTAGE RATE 18%)

ALL RETURNED MERCHANDISE MUST BE ACCOMPANIED BY AN GMA NUMBER.

Senator **Trible**. Mr. Redman, you are most welcome. Do you have something to add?

STATEMENT OF DONALD H. REDMAN, CHIEF EXECUTIVE OFFICER, FEDERAL MARKETING CO., DIVISION OF VIRGINIA IMPRESSION PRODUCTS, INC., RICHMOND, VA

Mr. **Redman**. Yes, sir. Well, I would just like to very briefly highlight a few things from my statement.

Senator **Trible**. Please.

Mr. **Redman**. Thank you very much for inviting me, incidentally, and I will keep it to 5 minutes.

Senator **Trible**. Oh, we'll let you filibuster a bit if you feel the urge. [Laughter.]

You know, in the House of Representatives you're given just 5 minutes to speak, and then you have to ask the unanimous consent of your colleagues.

Mr. **Redman**. If I really get your attention, I can go for 10 minutes.

Senator **Trible**. But in the Senate of the United States, you can talk forever.

Mr. **Redman**. Right. [Laughter.]

Senator **Trible**. There lies some of the big problems we have in Washington. So I am asking you to conduct yourself as a good Congressman today, but if you feel more like a Senator, then we will allow you to take whatever time you want.

Mr. **Redman**. Thank you. That's very good advice.

I think that we are highly qualified, Senator, to talk about the slow pay of the Government in my statement to you. We are rendering over 1,500 invoices a month to the Federal Government worldwide.

Then as I pointed out, the thing that really aggravated me no end was getting the last 2 years' reports of OMB stating that they found that the Federal Government was paying their bills 99 percent of the time on time. Unbelievable. Unbelievable.

Senator **Trible**. Well, I suspect that's based on the fact that once an invoice is certified or work approved, that payments are made within 45 days. But——

Mr. **Redman**. According to my figures—I have broken them down rather comprehensively for you gentlemen on the age trial balance. And if I may just again highlight?

Senator **Trible**. Please.

Mr. **Redman**. Our average invoice to the Federal Government is 58.9 days. My esteemed competitor, Bill Muehleib, I think he mentioned about 67 days. Well, there's differences there, but it means one thing: there is an awful lot of delinquencies.

We are a member of the NOPA, National Office Products Association, out of Alexandria, with approximately 6,000 members, and the report that we got from NOPA is that on commercial sales it's 41.9 days to collect money. That's a substantial difference from 58.9 days. The facts are here.

Then I broke that down again so what I call true delinquencies, taking into consideration this grace period of 15 days. Then I broke it down 46-to-60 days, 61-to-90, 91-to-105, and 106-days-plus. And for a little company like Federal Marketing to have out $289,000 is pretty tough. It's pretty tough, Senator. That's with a total receivables with the Federal Government of $1,387,000. So that's a lot of money.

[The prepared statement of Mr. Redman follows:]

Federal Marketing Company
Div. VIP, Inc.
2203 Perl Road
Richmond, Virginia 23230
Tel: 804-282-3166
Wash. Area: 588-4146
TELEX 710-956-0252

November 25, 1985

The Honorable Paul Trible, Chairman
Committee on Small Business,
The United States Senate
Washington, DC 20510

RE: Norfolk Hearing on Public Law 97-177
(Prompt Pay Act)

Dear Senator Trible:

Many thanks for the invitation to testify at this most important hearing on government "slow" pay.

We are a major supplier to the Federal Government in terms of individual billing transactions. We average over 1,500 shipments per month world-wide.

We still suffer acutely from continued slow pay and we submit in evidence with attachments that some activities play "tricks and games" to circumvent Public Law 97-177.

OMB having submitted two previous annual reports to the effect that the Federal Government pays its bills 99% of the time, on time, is absolutely the most erroneous report ever to come out of Washington!

The attached delinquent accounts receivables report from Federal Marketing Company will give you the "shocking" proof.

Let us state that there have been some substantial improvements in the three years that the Senate and the House passed 97-177 and for that we are most appreciative. It is interesting to note that this is particularly true with some activities of the Government which are now "clean as a hound's tooth".

Senator, it is imperative that the Senate and House put more "teeth" into 97-177 and let the "bad boys" know that they must pay their bills in a timely manner.

Your leadership and action in this matter is vital to our small business.

Thank you,

FEDERAL MARKETING COMPANY

Donald H. Redman
Chief Executive Officer

Attachments

Federal Marketing Company
Div. VIP, Inc.
2203 Perl Road
Richmond, Virginia 23230
Tel: 804-282-3166
Wash. Area: 588-4146
TELEX 710-956-0252

ACCOUNTS RECEIVABLES - FEDERAL GOVERNMENT

NOVEMBER 21, 1985

TOTAL ACCOUNTS RECEIVABLES		$1,387,725.52	100%
CURRENT	1-30	751,936.58	54%
GRACE PERIOD	31-45	356,248.49	25%
DELINQUENT	46-60	81,759.16	6%
"	61-90	108,132.27	8%
"	91-105	22,040.92	2%
"	106 +	77,608.10	5%

DELINQUENT ACCOUNTS RECEIVABLES

TOTAL DELINQUENT RECEIVABLES		$ 289,540.14	100%
DELINQUENT	46-60	81,759.16	28%
"	61-90	108,132.27	37%
"	91-105	22,040.92	8%
"	106 +	77,608.10	27%

NOTE: Accounts Receivables Outstanding by days 58.9 (National Office Products Association Reports Receivables by days is 41.9 Based on Commercial Sales)

Federal Marketing Company
Div. VIP, Inc.
2203 Perl Road
Richmond, Virginia 23230
Tel: 804-282-3166
Wash. Area: 588-4146
TELEX 710-956-0252

SENATE HEARING ON PUBLIC LAW 97-177
(PROMPT PAY ACT)
NORFOLK, VA, 11:00am, DECEMBER 2ND

RANDOM EXAMPLES OF FEDERAL GOVERNMENT DELINQUENCY IN PAYING BILLS

EXAMPLE # 1 - **Aberdeen Proving Ground**
Invoice # 043725, dated December 12, 1984
(merchandise shipped December 4, 1984)
Invoice # 047622, dated March 5, 1985
(merchandise shipped March 1, 1985)
Invoice 047714, dated March 6, 1985
(merchandise shipped March 4, 1985)

Check received May 17, 1985. They paid no interest on this long overdue delinquency.

EXAMPLE # 2 - **Aberdeen Proving Ground**
Invoice 045488, dated December 21, 1984
Three partials made and one small descrepancy immediately corrected. The partials were made against this order on Jan. 10, 1985, Jan. 17 and Jan. 21.
Invoice 050292, dated April 23.
Invoice 054475, dated July 5, 1985 (shipped June 25, 1985).
Invoice 057913, dated September 10, 1985 (shipped August 26th)
Invoice 057912, dated September 10, 1985 (shipped September 5, 1985)
Invoice 057914, dated September 10, 1985 (shipped August 13, 1985)
Invoice 056269, dated July 31, 1985

ALL ABOVE INVOICES PAID OCTOBER 7, 1985, CHECK NUMBER 90984524. NO INTEREST PAID.

EXAMPLE # 3 - **Randolph Air Force Base**
Invoice 047118, dated February 25, 1985
(shipped February 20, 1985)
Activity contacted us in writing by stating that our invoice was received on the 29th day of March 1985! They also stated in writing that the 30 days to pay (along with the 15 day grace period) is recognized as starting when they receive the invoice. This is obviously a very erroneous statement on their part. No interest paid.

EXAMPLE # 4 - Langley Air Force Base
Invoice 051729, dated May 20, 1985.
Payment date of the check November 25, 1985.
No explanation for delinquency and no interest paid!

EXAMPLE # 5 - Kelly Air Force Base
Invoice 045728, dated January 31, 1985
(shipped January 28, 1985)
Their check dated April 9th. On the documents sent to us, it indicates that the Receiving Department did not submit this to Finance until March 21st. Which is 20 days after the date of our invoice. Obviously a serious problem in their Receiving Department.

EXAMPLE # 6 - Navy-Chesapeake
Invoice 044818, dated January 8, 1985
(shipped January 4, 1985)
Invoice 044963, dated January 11th
(shipped January 3, 1985)
Invoice 045312, dated January 18th
(shipped January 16, 1985)
Invoice 045313, dated January 18th
(shipped January 15, 1985)
The date of their check paying these bills is March 27, 1985. The activity submitted a highlighted memo on the Prompt Payment Act on the 15 day grace period and yet, they were considerably over 60 days past due and no interest was paid.

EXAMPLE # 7 - Marine Corps Air Station, Santa Anna, California
Invoice 047191, dated February 25, 1985
(shipped February 21st)
Invoice 047251, dated February 25, 1985
(shipped February 22nd)
Invoice 047392, dated February 28th
(shipped February 27, 1985)
Of these three separate shipments, they claim that the merchandise was not received until March 11, 1985, subsequently, they paid the three transactions on April 25th and paid no interest. This obviously is an erroneous statement on their part by claiming that all the merchandise came in the same day.

EXAMPLE # 8 - Loring Air Force Base
Invoice 047368, dated February 28, 1985
(shipped February 27, 1985)
Check was received April 29th, however, their check was dated April 1, 1985. Not only were they delinquent, but the big question is why was the check dated April 1st and we received it April 29th? No interest paid.

EXAMPLE # 9 - Army-Pentagon

Invoice 047269, dated February 28, 1985
(shipped February 18, 1985)
Invoice 047213, dated March 14, 1985
(shipped March 13, 1985)
After sending the Pentagon a Past Due covering these transactions, we received a memo back from them dated April 26, 1985, "Can not identify Purchase Orders". Our purchase order from the Pentagon was absolutely correct. No interest paid.

Finally,we come to the last example, namely The Fifth Navy in Norfolk, Virginia. We offer into evidence a memo from the Naval Supply Center dated July 6, 1982 in forming us all about Public Law 97-177 and they told us in no uncertain terms that we would have to submit individual summary statements with each invoice to be submitted monthly for the previous month. And they informed us that if we would not comply with this itemized summary for each transaction, that they would cancel our blanket purchase agreement. At that time and we still feel that this was nothing more than absolute intimidation. It is obvious that the reason behind this is that it would give them many more days in holding back paying us in a prompt manner, meaning that if an invoice was dated the 4th of the month that the time frame did not count until after they received the statement the first of the following month. We are still complying with this demand and it takes one office clerk approximately four hours to duplicate all of the information that is on the individual invoices such as the call number, our invoice number, the amount of money and so forth. Also, they are adding insult to injury in which by submitting the summary statement, that we receive a check almost to the day at the end of the 15 day grace period, meaning that we sent out 51 transaction summaries the first of November for October transactions and we will not receive the check until approximately December 15th! We ask this question, why does The Fifth Navy require us to submit this summary delaying payments to us whereby we serve the Navy in Philadelphia, Oakland, San Diego, Charleston, Jacksonville, Pensacola, Groton, and none of these activities demand that we submit summary statements?

DEPARTMENT OF THE NAVY
NAVAL SUPPLY CENTER
NORFOLK, VIRGINIA 23512

IN REPLY REFER TO
200M:CS
6 JUL 1982

Gentlemen:

On 21 May 1982, President Reagan signed Public Law 97-177 which is entitled "Prompt Payment Act." This legislation requires the Federal Government to pay interest on late payments.

As a result of this law, the following change is applicable to your Consolidated Blanket Purchase Agreement with the Naval Supply Center, Norfolk, Virginia. The invoicing method for all calls placed against any Blanket Purchase Agreement must be by summary or itemized invoices only.

a. The summary invoice shall be submitted monthly for all deliveries made during the specified billing period. Attached to the summary invoice will be tickets for deliveries made during the billing period, stating their total dollar value.

b. Itemized invoices shall be submitted monthly for all deliveries made during the billing period, listing the items delivered, identified by the applicable delivery ticket number or sales slip number and call number.

c. Unless a prompt payment discount is offered, payment terms of NET 30 are required as a minimum.

The attached form is provided to expedite your reply. If your company can comply with the summary or itemized invoicing methods described above, or is already utilizing one of these methods please check the appropriate block, indicate your normal billing date (e.g., first of month, 15th of month, last working day, etc.), have the form signed by a company official authorized to set such procedures and return to this office no later than 23 July 1982. Implementation of this method is scheduled for 2 August 1982. A copy of your signed acceptance will be forwarded to the applicable paying offices as proof of your consent to the summary or itemized invoice methods and further, this consent will be effective until the next issuance of the Blanket Purchase Agreements which are tentatively scheduled for October 1982. The next issuance of the Blanket Purchase Agreement or modification to current Blanket Purchase Agreement will detail this change fully and indicate your specified billing date.

If your company is unable to comply with either the summary or itemized invoicing methods, your Blanekt Purchase Agreement will be cancelled effective 1 October 1982. All vendors are requested to advise this office not later than 23 July 1982, of their noncompliance, however, if no response is received by this date, your Blanket Purchase Agreement will be cancelled on 1 October 1982.

Activities listed in Attachment I to your Blanket Purchase Agreement have been instructed not to differentiate between vendors with Blanket Purchase Agreements and those with whom they must place a purchase order.

200M:CS

The implementation of the Prompt Payment Act and your agreement to comply with summary or itemized invoicing does not effect the existing procedures that are followed with Fast Pay Invoices.

Your cooperation in this matter is appreciated.

Any questions you may have should be directed to the Regional Contracting Management Staff, Lee Shannon, on (804) 444-2988/3346.

Sincerely,

J. W. Conrad
J. W. CONRAD
Director, Regional Contracting
Management Staff
By direction of the
Commanding Officer

Enclosure:
Acceptance Form

RETURN IN ATTACHED ENVELOPE BY ~~15~~ 21 JULY 1982

Company Name/Address

Federal Marketing Company
2203 Perl Road
Richmond. Va. 23230

BPA Number N00189-82-A-7346

☐ We are currently using summary ☐ / itemized ☐ invoicing procedures and our normal billing period is:

____

☑ We are willing to change our current procedures to summary ☐ / itemized ☐ invoicing and will effect the change on 2 August 1982. Our normal billing period is:

____

☐ We are unable to comply with summary ☐ / itemized ☐ invoicing and understand our Blanket Purchase Agreement will be cancelled 1 October 1982.

Ruth Ann Eckart
(Signature)

Administrator
(Title)

Federal Marketing Company
Div. VIP, Inc.
2203 Perl Road
Tel: 804-282-3166 Richmond, Virginia 23230 Wash. Area: 588-4146
TELEX 710-956-0252

WE WOULD LIKE TO FURNISH TO THE HEARING COMMITTEE SOME HISTORY OF CERTAIN DEPARTMENTS AND ACTIVITIES OF THE GOVERNMENT BASED ON THEIR TRACK RECORDS OVERALL OF PAYING THEIR BILLS. WE RATE THEM AS FOLLOWS:

VERY GOOD	SATISFACTORY	POOR	VERY POOR
GSA	USDA	Navy-Norfolk	Aberdeen Proving Grounds
Postal Service	VA	Ft. Lee	
Andrews AFB	HUD	Kelly AFB	
Army, Va. Contracting Center	Interior	Defense Supply Center, Richmond	
	Geological Survey		
	Treasury	Pentagon	

Of all the large finance centers throughout the United States, it can be reported that the GSA Finance Center in Kansas City is the very best. Payments generally are between 25 and 35 days. Also the Finance Center for the Postal Service is excellent.

We at Federal Marketing will gladly open our doors to GAO, any Committee of the Senate or the House to be audited for verification on any and all problems that we have with Federal Government delinquent accounts.

VIRGINIA IMPRESSION PRODUCTS CO., INC.

2203 Perl Road Richmond, Va. 23230
Telephone: (804) 282 3166
TELEX 710 956 0252

BeTTerType®
UNICOPY®

BACKGROUND

Be advised that Virginia Impression Products Co., Inc. was formed in 1953 to serve commercial accounts, Federal Government and Local Governments. In 1980, Federal Marketing Company was established as a division of VIP, Inc. The purpose of this was to have FMC be 100% dedicated in selling the Federal Government.

We are pleased to state that we have earned a fine reputation in selling to the Federal Government quality merchandise, good delivery and excellent prices. Today we enjoy under the multiple award system of GSA 15 contracts covering a vast array of supply products. In addition, we sell substantial quantities of products on an Open Market basis to the Federal Government. These contracts and Open Market products are supported by personal service through 10 telemarketing salesladies covering the United States as well as 4 salesmen contacting activities in a 150 mile radius of Richmond.

We are further supported by an excellent computer order entry system, inventory control and substantial product to be shipped from our warehousing facilities.

The attached Product Check-list will give you a good idea of what we sell to the Federal Government.

[illegible] Typewriters
[illegible]
[illegible] Ribbons
[illegible] Elements
[illegible]
☐ Carbon Mylar Film
☐ IBM Mag Cards MC/ST
☐ Word Processing Cassettes
☐ Dictating Cassettes
☐ Diablo & Qume Print Wheels
☐ Print Wheels

☐ [illegible]
☐ [illegible]
☐ [illegible]
☐ [illegible]
☐ [illegible]
☐ Data Cartridges
☐ Digital Cassettes
☐ Disk Cartridges
Disk Packs
☐ Diskettes Flex[illegible]

SUPPLIES
OFFICE COPYING

☐ Xerox Licensed Toner
☐ IBM – Toner – Rolls
☐ SCM
☐ Pitney Bowes
☐ Remington-Copystatics
☐ 3M – VQC I & III – 209
☐ A. B. Dick – Savin
☐ Toshiba – Apeco
☐ Minolta
☐ 3M Dual Spectrum
☐ Xerox Copy Papers
☐ Savin Copy Papers
☐ Savin 1/0 Paks

SUPPLIES
DUPLICATING

Spirit
☐ Master Units
☐ Spirit Fluid
☐ Spirit Paper
☐ Thermofax Masters

Mimeograph
☐ Stencils
☐ Mimeo Ink
☐ Mimeo Papers
☐ Electronic Stencils

☐ Hand Cleaner – Pads & Liquids

SUPPLIES
GENERAL

☐ Pencil Carbons
☐ Cash Register Rolls & Ribbons
☐ Addressograph Ribbons
☐ Legal & Steno Pads
☐ Acetate Sheet Protectors
☐ X-Stampers
☐ Register Roll Carbons
☐ Teletype Ribbons & Rolls
☐ Staplers & Staples
☐ Paper Clips
☐ Pens & Markers – Bic & Pilot
☐ Micrographics
☐ Calculator Ink Rolls

*Our Representative To Serve You Is*____________________

Federal Marketing Company

Supplies & Accessories For These Systems Plus Many Others:

AB DICK
[illegible]ACQUARD
[illegible]

EXXON
HEWLETT-PACKARD
[illegible]

QUME
RADIO SHACK
[illegible]GTON

Senator Trible. To what do you attribute those delays primarily, and what would you suggest ought to be done to eliminate those kinds of problems in the future?

Mr. Redman. All right. Now, incidentally, out of—there's something I think that was overlooked here in a couple of previous testimonies—that out of $289,000, to give credit to the Federal Government in paying their bills, let's say that if we were to take 10 percent of that based on discrepancies, we occasionally ship something wrong. The customer, the Government orders wrong. Something happens. So if we were to take 10 percent out of that, well, that's still only $28,000. So we still, giving all the benefits to the Federal Government here, we sell to a lot of the embassies worldwide, well, they're just tough to collect, and we just live with that. I am not complaining about that. OK.

Recommendations. I would recommend highly that the receiving reports, that it be mandatory that receiving reports be in the hands of finance within 5 working days. There are so many problems in which the receiving department fiddle around and do not get that receiving report to finance for payment.

Senator Trible. And you have found that this is the reason for a lot of the delays that you are encountering?

Mr. Redman. Correct. Also, to require that receiving, purchasing, finance, report to the vendor immediately one of these three should be responsible for any kind of a discrepancy. Now, the reason I mention this, Senator—boy, the reason I mention this is just unreal. They will wait—we wait 60 days, 65 days, and we call up and say, "How about payment?"

"Oh, you've got a problem."

Think about that. Why can't they be required to immediately, within 15 days or whatever, contact us and say, "Hey, there is a discrepancy?" That's one of our big problems.

Also, as Mr. Muehleib pointed out, require that partial deliveries be paid from invoices rendered. He cited a great example there of an Arabic print wheel. He shipped them $3,000 worth of merchandise, you know, and they won't pay it until that one Arabic print wheel is delivered.

Then the last thing, Senator, I would recommend that they pay interest. They will play every little trick, every little game in the world not to pay interest because they're very scared of that. That doesn't look good on their record when they have to pay interest. So they do a lot of fibbing—an awful lot of fibbing.

They should pay interest. But as one of the gentlemen said in panel 1—was it panel 1 or panel 2, I forget—you know, that we would rather not be paid interest. We would much rather be paid in 30 days. If I look at 58.9 days, Senator, gee, I'd be delighted to have them pay me in 45 days. Boy, I'd be in great shape, cash flow. Just that difference, meaning that we give 30 days and give 15 days. Just pay me in 45 days. Again, that's better than 58.9.

Thank you very much. Incidentally, here is Langley Field, everyone is picking on Langley Field. Here is a check that was received dated November 25, a $100 transaction. We rendered the invoice on May 20. That's 6 months and 5 days, Senator. For no reason. No interest.

Senator **Trible**. I would think that the bulk of your transactions would be rather straightforward, would they not?

Mr. **Redman**. Yes, sir. Yes, sir. Absolutely.

Senator **Trible**. I mean, we're talking about office supplies and——

Mr. **Redman**. Yes, sir.

Senator **Trible** [continuing]. Those kinds of things. We're not talking about highly complicated nuclear components.

Mr. **Redman**. No way.

Senator **Trible**. Or attack submarines.

Mr. **Redman**. No. [Laughter.]

Senator **Trible**. OK. Thank you.

Mr. Guernsey.

STATEMENT OF DOUGLAS D. GUERNSEY, GUERNSEY OFFICE PRODUCTS CO., VIRGINIA BEACH, VA

Mr. **Guernsey**. Yes, sir.

Senator **Trible**. Mr. Guernsey, just move some of that equipment down your way, maybe turn that microphone around.

Thank you all for cooperating here.

Mr. **Guernsey**. Thank you. I would just like to read a letter that the owner of Guernsey Office Products has written.

Senator **Trible**. Now, you are Mr. Guernsey as well, are you not?

Mr. **Guernsey**. Yes, sir. I am the brother.

Senator **Trible**. You're the brother. OK. The brother of the owner?

Mr. **Guernsey**. The brother of the owner.

Senator **Trible**. All right.

Mr. **Guernsey**. Correct.

Senator **Trible**. And you will read the letter of David Guernsey?

Mr. **Guernsey**. Yes, sir.

Senator **Trible**. President of Guernsey Office Products?

Mr. **Guernsey**. Yes, sir.

Senator **Trible**. Arlington, VA?

Mr. **Guernsey**. Yes, sir.

Senator **Trible**. Fire away.

Mr. **Guernsey**. Yes, sir.

"The Honorable Paul Trible," is who it is addressed to, U.S. Senate.

> Dear Senator Trible: In response to your letter of 20 November 1985 requesting that I consider testifying at your hearing on 2 December, I regret that due to the short notice, I will be unable to participate. However, I would like to submit some brief comments regarding our experience in dealing with the Federal Government.
>
> Simply stated, the length of time for us to collect properly billed invoices is unsatisfactory. The average number of days to collect is in the 60-to-90-day range. If we are able to accept the Government's reason, it is because all the parties involved have lost or failed to route the paperwork properly. Interestingly, they seem to misplace 75 percent of our invoices, and as a result need retyped originals.
>
> Our effort to resolve an unpaid invoice begins with an unwarranted amount of time spent in trying to reach the appropriate person. Normally, there is only one telephone number on a purchase order, that of the procurement office. It is seldom the telephone number of the office that has ordered the merchandise. When tracing an invoice, the first step for us is to confirm that the merchandise has been received by the end user. It takes an average of three telephone calls to run an effective trace on the purchase order.

As a general rule, we eventually find out the paperwork is lost or never received. This, of course, restarts the clock. If the occasion was infrequent, it would be one thing. But in point of fact, lost or misplaced invoices are the rule, not the exception.

We have yet to find a case, once all the verifications have been received, where the finance office that makes actual payment has failed to execute within the time specified in the Prompt Payment Act of 1982.

If there is any fault at the finance office, it revolves around their, one, receiving an invoice; two, placing it in a suspense status as they await receipt of additional paperwork —that is delivery, verification, original POs, et cetera; and three, forgetting about the matter rather than establishing a procedure for following up on the nonreceipt of the necessary items.

The obvious conclusion is that the routing process of the delivery documents to the procurement office and subsequently to the finance office is haphazard or ineffectual. From the outside looking in, we can conclude poor management practices. No doubt, the effect of such handling nullifies the intent of the Prompt Payment Act and only leads to practices such as padding the bill to recover the cost of being a banker for the United States Government. Forget receiving any interest payment for performing the lender's role. That is, restarting the clock due to the lost-paperwork phenomena precludes any claim to the penalty.

Adding further insult is finance's propensity for taking the prompt payment discount in situations where the clock has been restarted. We have had the discount taken where the invoice was 120 days old.

I hope that this information will assist your efforts in determining the appropriate step, if any, needed to protect the original intent of the Prompt Payment legislation.

Respectfully, David M. Guernsey.

Senator TRIBLE. Mr. Guernsey, thank you for submitting that testimony on behalf of your brother.

I want to thank all of you busy people for being here. I know you'd rather be most anywhere than testifying before us.

Mr. HOEY. Senator, one thing. I do think that the Government is using the amount of interest paid as a measuring stick, if you would. May I suggest that they consider using how many bills got paid versus how many bills were recorded within the time frame rather than having an interest stigma over any one area as a measuring stick, because you're looking for efficiency in production and efficiency in production may be a $50 invoice or a $10,000 invoice. You're concerned they both get paid.

So I would say that let's use the count of an invoice as a measuring stick for total received during a period of time versus the interest statement.

Mr. REDMAN. I certainly second that, Senator. That's a very good point, in my opinion.

Senator TRIBLE. Well, now, is it your experience or do you believe that from your experience that the agencies are focusing their resources perhaps on the larger contracts and therefore the smaller ones get put on hold?

Mr. REDMAN. It could be, or as I pointed out, that they just seem to get absolutely frantic with the thoughts of having to pay interest, because they're going to lose credibility. It's going to get to the House or the Senate or it's going to get to GAO or GAO is going to run a little inspection on them and what have you. That's my opinion.

Senator TRIBLE. It's also a sure way to get the Secretary's attention, at least in those agencies with Secretaries, because dollars are under a great deal of stress these days.

Any other thoughts or comments you might like to add, please?

Mr. **GIANASCOLI**. There was one other thing that was referred to by Mr. Redman down here, which I would like tō compliment the Norfolk Naval Shipyard on the way they have changed their payment policies, because today I have less problems in getting answers on outstanding invoices. They have rearranged their system over there to where the proof of delivery goes in on one side of the hall and the payment is handled across the hall, and if there is a problem, they are in close enough contact with each other that they can give us an answer in a relatively brief period of time, and in many instances we can circumvent a long delay in getting something corrected or finding out what the problem is.

I give that to you as an example because you may be able to take that example and use it elsewhere. This thing of being able to find out, even if I have to call them, which I don't mind doing, to find out that we're not going to get paid, if there is a problem on an invoice, the first thing that needs to happen is we need to be made aware of it.

Senator **TRIBLE**. One moment, please.

[Pause.]

Senator **TRIBLE**. Please.

Mr. **HOEY**. All right. The thing is, if a problem exists and we're not aware of it, there are two parties here that are being hurt: the Federal Government and us. No. 1, your paperwork load is stacking up on you, and ours is stacking upon us. So that need of the paying office letting us know that there is a problem has to happen. If that happens, we can speed up your paperwork process for you.

Two thoughts. Thank you, sir.

Senator **TRIBLE**. All right. Well, I appreciate that. Obviously, a response demands management initiatives on the one hand, and that is really beyond the Congress to mandate. We can apply some pressure, which hopefully will result in a more efficient, effective operation. But beyond that, there might be some ways as well legislatively that we can create a mechanism to ensure prompter payment, and that is our purpose here today as well.

Thank you for being here.

[Chorus of "Thank yous."]

Senator **TRIBLE**. All right. Our last panel, we will hear from Capt. Eugene Harshbarger, who is representing the Navy, and he is accompanied by Capt. Leo Wardrup.

Are all you gentlemen going to join you? Capt. Robert Natole?

Captain **NATOLE**. Bob Natole, Senator.

Senator **TRIBLE**. Natole. I am sorry, Bob.

Captain Natole and Richard Galloway. Is Mr. Galloway here as well?

Mr. **GALLOWAY**. Yes, sir.

Senator **TRIBLE**. And we also have Leroy Boucher.

Mr. **BOUCHER**. Boucher.

Senator **TRIBLE**. Boucher. You couldn't get away with that if you were in southwest Virginia, Mr. Boucher. It's good to have you here, and Ms. Vandenberg.

Ladies and gentlemen, I appreciate your being here, and I again want to emphasize that as far as I am concerned, this is not in any way a finger-pointing exercise, but rather an inquiry as to the problems that remain and how we go about solving the problems.

I am struck by your testimony and by the number of transactions that your agencies have to undertake each day and each month and each year. The Navy, for example, has 800 field contracting offices, 1,500 receiving activities ashore, 500 receiving activities afloat.

Those are ships, I guess, Captain Harshbarger?

Captain HARSHBARGER. Yes, sir.

Senator TRIBLE. And over 60 bill-paying offices. And no doubt, we're talking about tens of thousands of transactions. The GSA paid 2.3 million invoices in the past year?

Mr. BOUCHER. Yes, sir.

Senator TRIBLE. A rather phenomenal amount of business.

So you have heard the testimony, and I purposely wanted you to follow the testimony so you would have an opportunity to respond.

For the record, your entire statement will be included, and I would be happy for you to lay out some of the initiatives that have been undertaken to tackle these problems. But I do want you to focus on the problems that were identified, and perhaps respond to some of the suggestions that have been made today as well about how this process could be made to work in a more orderly and effective manner.

Captain Harshbarger, why don't we start with you?

STATEMENT OF CAPT. EUGENE B. HARSHBARGER, DEPUTY ASSISTANT COMPTROLLER OF THE NAVY (FINANCIAL MANAGEMENT SYSTEMS), WASHINGTON, DC, ACCOMPANIED BY CAPT. LEO WARDRUP, CAPT. ROBERT NATOLE, AND RICHARD GALLOWAY

Captain HARSHBARGER. Thank you, Senator. It's a pleasure to be here this morning to discuss with you the Navy performance under the Prompt Payment Act.

I can't really respond to any of the specific examples brought up. What we found in looking into those is you have to look at the facts of the situation, and where the contractor may think payment is due, we find that the situation really didn't warrant it.

Senator TRIBLE. But what we've identified today are a pattern or a series of problems that are apparently widespread. So let's respond to those and stay away from the individual cases and the individual offices that may or may not be doing as good a job as another one.

Captain HARSHBARGER. Yes, sir, I will try to speak to those.

In fulfilling its national defense responsibility, the Navy is very heavily reliant on its commercial suppliers. We expect our suppliers to read their contracts, understand their contracts, and perform in accordance with those contracts. It's reasonable for contractors to expect that we do the same, that the Navy fulfill its contractual responsibilities. And the particular one we're talking about this morning is bill paying. The contractor has a right to be paid in accordance with his contract.

We have made very great strides since the October 1982 implementation of the Prompt Payment Act in terms of being more timely with our payments. In the last year, although there is some dispute as to whether or not this is a good measure, we have reduced the dollar value of interest payments by the Navy by some 38 percent. At the same time, the value of bills that are being processed increased by over 11 percent. So there is a downward trend in interest payments with the dollar value of bills going up.

You mentioned some of my statistics in terms of the scope of our payment operation. I would like to reemphasize those.

Senator **Trible**. Please.

Captain **Harshbarger**. We are just a huge, complex organization, and our defense responsibility makes that necessary. We are everywhere. We are throughout the country, very concentrated here in the Tidewater area, but in many places you will find the Navy. Those places require contractor support. They deal with a multitude of contracting offices. Generally, we contract on a regional basis. So the contracting office and the requiring activity may be remote from each other. Likewise, we pay, as you mentioned, in some 60 different bill paying offices. So we have a lot of activities. We are separated geographically.

One of our problems, of course, is moving paper between those various places. We are unfortunately a paper-intensive process.

Senator **Trible**. Now, why is that? Congress has given the Navy a lot of money, and those monies have been expended for new ships and planes and training for people. Is it a money problem?

I mean, why is it that you don't have a computer system where—I get a sense from the first testimony we heard today—and correct me if this is in error—that there is no delay when the Navy needs something. You know, when a ship is at sea and you have some requirement, you have to satisfy that requirement immediately—yesterday, not today or not tomorrow. But there is substantial delay on the payment side. That delay was attributed to this maze of paperwork that exists on the payment side, whereas you seem to have a higher technology and a more efficient operation on the procurement side. Is that a fair statement that was made? If so, what steps can be taken to eliminate some of this paper train that slows things down?

Captain **Harshbarger**. Let me speak to two parts of that, Senator. We can always effectively use more money if you are willing to provide it, sir. We are most grateful for what the Congress provides to the Navy.

We are not as modern as we would like to be in terms of using modern computer systems. We have come a long way. We're standardizing systems, particularly within the financial management side of the Navy. But we're probably realistically 5 to 10 years from being where you could consider to have state-of-the-art systems. So we're not there, but we're making progress. I think we're making progress as rapidly as resources and technology would permit us to do so. We would like to be a lot more automated.

With respect to the specific example of a ship, again you have to keep in mind our mission. Our mission is national defense. When something is broken, it needs to be fixed. The specific example was a ship underway, a ship deployed. That ship has to use a naval message then to get its requirement back. And hopefully, if it's a critical requirement, the part will get out to the ship rapidly.

If we utilized those message circuits for all of our administrative traffic, we would have a serious congestion problem affecting ability to communicate with the ship and the ship back. The ship's primary mission is defense. So we have really had to make some decisions in terms of what goes on the message circuit and what does not. The urgent requirements will come back by a message. The handling of the paperwork associated with that is not going to be by a message generally.

Senator **Trible**. Now, how is that handled?

Captain **Harshbarger**. Sir?

Senator **Trible**. Let's say you have a ship in the Mediterranean or, let's say, the South Pacific. Does that acceptance—how does it work its way back to the payment office?

Captain **Harshbarger**. It can go in one of two ways. One of the initiatives that we have in trying to resolve some of the prompt payment issues is what we call fleet fast pay, and we're using that in the Atlantic. All the ships based in the Atlantic Fleet are using this system. Under that system, the scenario we're talking about, the ship, if they came back into the Norfolk area to buy a particular part, and fleet fast pay applied, that part would be shipped out to the ship and the vendor would be instructed, "Send the invoice directly to the paying office"—in this case, Fleet Accounting and Disbursing Center Atlantic [FAADCLANT], here in Norfolk.

Under this particular test then, FAADCLANT would process that invoice without having any information on acceptance. What the ship would do then is receive the part, process the acceptance paper, and we would have an audit trail to cover the fact that we had actually received the merchandise prior to payment being made. This is the situation in the Atlantic.

In the Pacific, where we're not using this experiment, the invoice would go out to the ship, the ship would indicate acceptance, it would come back to the paying office probably FAADCPAC, our accounting and disbursing center out in San Diego, and they would process for payment.

So in a deployed ship, you could easily have 3 or 4 weeks under ideal circumstances for that paper to flow. This is why we're very pleased with our experiment in the Atlantic with fleet fast pay. It appears to be working well. We aren't at this time running into problems with material being paid for and not actually being received.

You asked about processing paper. I think in this era of emphasis fraud, waste, and abuse, this is a very hazardous area. A disbursing officer is financially liable for the payments he makes. Under our procedures then, he is generally required to sight hard copy in order to make a payment. And if he fails to sight that hard copy, he could have some very serious financial consequences.

So our system is basically set up to process hard copy. It has to go to the receiving activity to indicate they got what they wanted, and then process back to the paying office.

Senator **Trible**. Well, now how do we tackle the problem of such a delay? The number one complaint seems to be the long time it takes before the finance center, if you will, begins counting 30 days. And this is the problem of receiving or certifying the invoice. How do we tackle that problem?

Captain **Harshbarger**. Looking at it from two different points of view, we have, we think, adequate policy in place. Our basic policy says that in normal circumstances, receipt to acceptance shouldn't exceed 10 days. That's our normal standard. We're in the process of modifying our information collection system now in order to get some more visibility on that.

We have heard a number of reports in terms of the receipt and acceptance were months or weeks apart, and sometimes in excess of that. We are really not in a position at this stage to see just how big a problem that is. Again, you start looking at particular situations and you will run into various things. The merchandise may not have been the correct merchandise. For a deployed fleet unit, the shipment may not catch up to it for 3 or 4 months. A wide variety of problems.

We are aware of the problem that is being raised by industry, and we are in the process of modifying our systems to try to get our hands around this and see to what extent we have problems, and then we will implement corrective action if we find it's necessary.

With respect to policy, though, I think we have adequate policy in place.

[The prepared statement of Captain Harshbarger follows:]

NOT FOR PUBLICATION UNTIL RELEASED
BY SENATE COMMITTEE ON SMALL BUSINESS

STATEMENT OF

CAPTAIN E. B. HARSHBARGER

DEPUTY ASSISTANT COMPTROLLER, FINANCIAL MANAGEMENT SYSTEMS

OFFICE OF THE NAVY COMPTROLLER

BEFORE THE

SENATE COMMITTEE ON SMALL BUSINESS

ON

FEDERAL IMPLEMENTATION OF THE PROMPT PAYMENT ACT OF 1982

NOT FOR PUBLICATION UNTIL RELEASED
BY SENATE COMMITTEE ON SMALL BUSINESS

Good morning, Mr. Chairman.

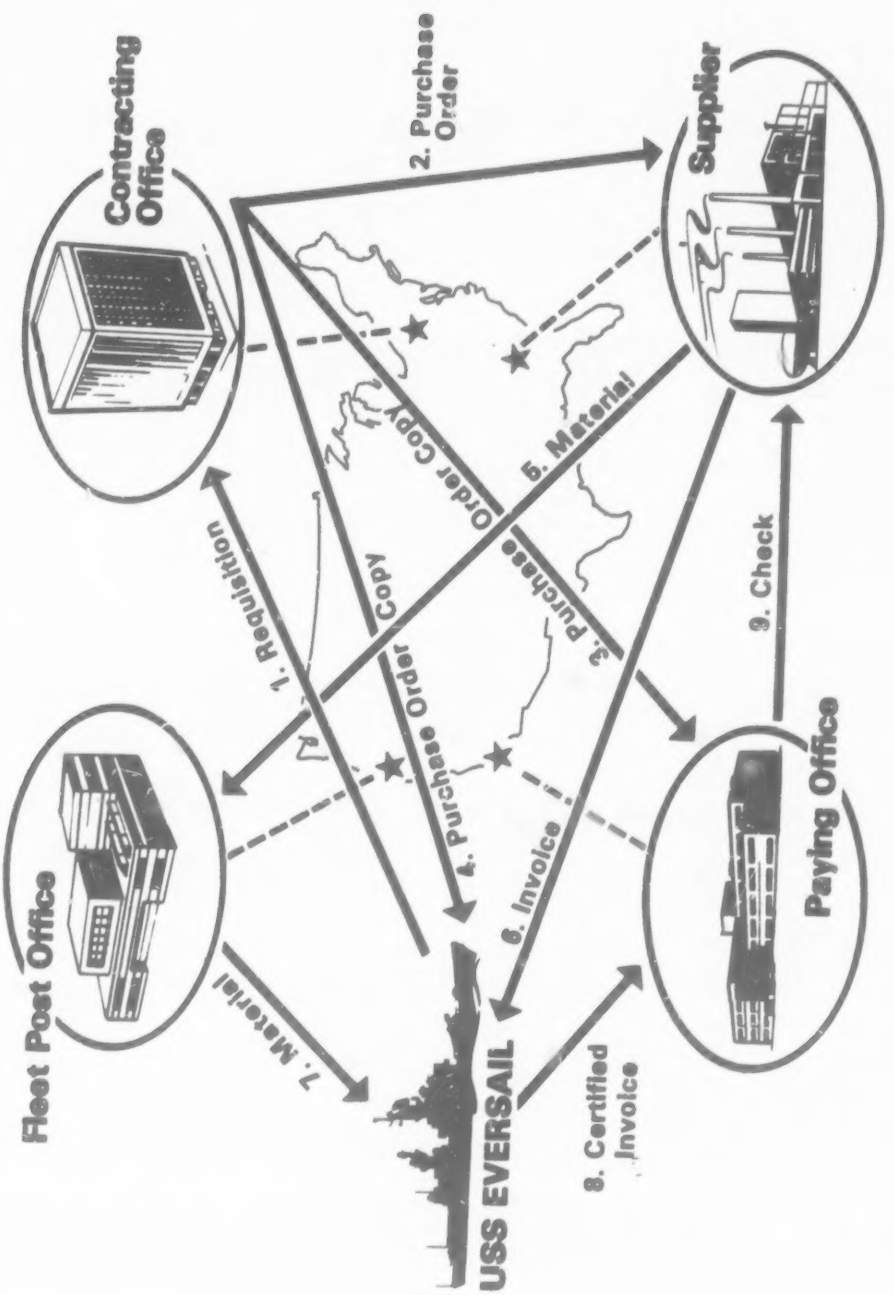
I am Captain Eugene B. Harshbarger, SC, USN, the Deputy Assistant Comptroller of the Navy for Financial Management Systems.

It is a pleasure to appear before the Senate Committee on Small Business to discuss the Navy's performance under the Prompt Payment Act. I am accompanied by Captain Leo Wardrup, SC, USN, Commanding Officer, Fleet Accounting and Disbursing Center, Atlantic; Captain Robert Natole, SC, USN, Director, Regional Financial Services Department, Naval Supply Center, Norfolk; and Mr. Richard Galloway, Director, Performance Analysis and Evaluation Division, Office of the Comptroller of the Navy.

In fulfilling its mission of national defense, the Navy relies heavily on its commercial suppliers. We expect our suppliers to understand and fulfill the terms and conditions of their contracts with the Navy. It is likewise reasonable for them to expect the Navy to adhere to its contractual responsibilities, including meeting its bill paying obligations, in a timely manner to ensure workable cash flow. We value our relationship with the business community and want to preserve and improve it. In that respect, I can say that we have come a long way in bill paying effectiveness since the October 1982 effective date of the Prompt Payment Act. We have greatly improved payment turnaround time while significantly decreasing interest payments. In the past fiscal year alone, we decreased the dollar value of such interest payments by 38 percent while the value of contractor bills processed increased over 11 percent.

Considering the scope and magnitude of Navy's bill paying operations, implementing the Prompt Payment Act (PPA) has been a challenging and sometimes frustrating process. Procurement and disbursing systems required extensive overhaul to accommodate Prompt Pay provisions. Of over 5 million bills paid in FY 1985 by the Navy, 4.3 million valued at over $13 billion were subject to PPA. The magnitude of this bill paying is compounded by Navy's decentralized operations, dictated by its unique organization structure. Navy's mission and organization are in large part centered around its fleets - a highly mobile and widely dispersed force, often requiring unique and flexible support ashore. PPA in the Navy involves over 800 field contracting offices, over 1,500 receiving activities ashore, over 500 receiving units (ships) afloat, and over 60 bill paying offices. No other federal agency or branch of service has to contend with that volume and diversity of functions, hence the unique management challenge.

A hypothetical example of the complexities of our bill paying procedure is shown in the attached chart. In this instance, a ship deployed in the Pacific requisitions a part through a Navy contracting office in Pennsylvania (1). The contracting office orders the part from a southeast United States supplier (2), and


Contracting Office
Supplier
Fleet Post Office
USS EVERSAIL
Paying Office
1. Requisition
2. Purchase Order
3. Purchase Order Copy
4. Purchase Order Copy
5. Material
6. Invoice
7. Material
8. Certified Invoice
9. Check

forwards order copies to the designated paying office in San Diego (3), and the ship (4), which is the receiving activity. The supplier ships the part via the Fleet Post Office, San Francisco (5), and mails the invoice to the ship (6). Meanwhile, FPO forwards the part to the ship where receipt and acceptance are performed (7). At this point, as prescribed in the Prompt Payment Act, the interest clock begins and the due date is 30 days hence. After acceptance occurs, the ship mails the certified invoice to the paying office (8) and a check is mailed to the supplier (9) within the timeframe established by Navy cash management procedures. This same procedure applies to transactions ashore, excluding of course, the FPO.

The Navy has taken, and continues to take, numerous actions to further improve the bill paying process. The most significant undertakings include:

1. A Prompt Pay Task Force of procurement, accounting, disbursing and ADP experts was established in February 1984 to continuously study and resolve PPA related problems. The group also conducts PPA seminars and workshops at key Navy sites.

2. Automated invoice tracking systems have been established at all major paying offices. Each system properly ages bills and schedules them for payment within the 30-day payment timeframe prescribed under PPA. It should be noted that Navy

disbursing officers are also governed by Treasury Department cash management requirements which impact PPA performance. The most prevalent influence on bill paying is OMB Circular A-125 which states that a bill shall not be paid prior to its due date. Thus, the automated payment systems are designed to schedule payments on the due date, i.e., 30 days after formal acceptance of the material or receipt of the invoice. No Navy system is designed to routinely utilize any portion of the 15-day grace period permitted by the Prompt Payment Act as part of the scheduled payment period.

3. The Fleet Fast Pay project is one of our most fruitful efforts toward achieving timelier bill paying. It is currently under way on a test basis involving all Atlantic Fleet ships. Under Fleet Fast Pay, invoice payment is greatly expedited by bypassing the conventional requirement of invoice certification by the ship prior to payment processing. Instead, the invoice goes directly from supplier to paying office and is entered into the payment queue. The paying office and ship then perform an after-payment certification/reconciliation to close the accounting and audit loop. Under this procedure the contractor agrees to promptly correct, replace or repair defective material even though payment has already been received.

4. A mechanized system of gathering and arraying Navy-wide detailed interest payment data on a monthly basis has been established by the Navy Comptroller. It is our primary means of gauging PPA performance by various command levels and categories.

5. Finally, as a result of analyzing automated performance data, the Navy Comptroller has established performance thresholds, or interest targets not to be exceeded. We issue monthly performance status letters to 29 major headquarters commands Navy-wide and request their followup with subordinate activities. Feedback is utilized both up and down the chain of command and across command lines as coordinated through our office.

No matter how many improvements Navy makes, its bill paying success depends in large measure on contractor cooperation. Their help in keeping the paperwork accurate and flowing will do much toward receiving accurate and timely, interest-free payments. All major paying offices publish comprehensive vendor payment guides explaining our payment system and what is required from the vendor. These booklets are periodically sent to all vendors receiving checks for the first time.

Our paying offices have found a number of common contractor-responsible problems which often result in delayed payments. Examples of these problems include failure to sign and return contracts and contract modifications to the Contracting Officer as soon as possible and not citing the proper contract or order number on invoices. The contractor's name on the invoice must exactly match that cited in the contract or our automated systems will reject it. One very common contractor-caused problem concerns misdirected invoices. In over 250,000 cases each year, contractors mailed invoices directly to the paying office rather than to the receiving activity specified in the contract. Consequently, the paying office must redirect the bill to the proper activity before the bill paying cycle can begin. In most of these cases, increased attention by contractors on their internal paper processing procedures would expedite the payment process.

Senator Weicker's letter which scheduled these hearings included a Staff Point Paper which summarizes a number of Prompt Payment Act concerns which have been called to the Committee's attention. We have reviewed this paper and concluded that, in all cases the Navy has in place policies and procedures covering the points raised which are summarized below:

Comment: (a) making payments beyond the payment date specified in their contracts or beyond the times specified by the Act, without the payment of interest;

Response: The Navy Comptroller Manual (NAVCOMPT 046409-1) states that "whenever payment by the appropriate date is not accomplished ...and after expiration of an appropriate grace period..., interest will be paid in accordance with the terms of the Act." Detailed procedures are in effect to determine whether, in view of the relevant circumstances, an interest payment is due.

Comment: (b) informing contractors who inquire concerning the non-payment of interest for a late payment that the contractor is required to make a written demand for interest in order for the agency to pay interest;

Response: NAVCOMPT 046409-4 states that, "Whenever an interest penalty is due, the paying office will pay the interest due automatically without requiring that the business concern request payment of interest." A formal claim would be appropriate in the situation where the Navy and the contractor cannot agree concerning entitlement to an interest payment thereby necessitating use of contractual disputes procedures.

Comment: (c) taking discounts offered by contractors for early payment although actual payment is made after the expiration of the specified "discount period";

Response: The Prompt Payment Act itself, as well as the Navy implementing directives (NAVCOMPT 046409-3), requires that interest be paid on improperly taken discounts. Discounts are to be taken only when earned (NAVCOMPT 046023-1). Cash management policy, however, requires payment on the last day of a discount period. Therefore, contractors may sometimes perceive that a discount should have been lost, when it was in fact paid on the last permissible day.

Comment: (d) routinely paying their invoices late in the fifteen day "grace period", i.e., between the 8th and 14th days, thus abusing the Congressional intent of the "grace period";

Response: The Navy regulation which prescribes when payment should be made (NAVCOMPT 046071) properly makes no mention of grace periods, because grace periods are not a factor in due date computation. The concept of grace periods is introduced only within the context of interest payments. That regulation (NAVCOMPT 046409-2) states that grace periods result from "recognition of occasional errors, misunderstandings, or workload backlogs." All Navy automated bill paying systems are programmed to pay vendors bills within 30 days, and not 45 days accumulated by adding the grace period. The 15-day grace period is utilized only when payment cannot be made within the prescribed 30-day timeframe because of the reasons cited above.

Comment: (e) rejecting invoices as other than a "proper invoice" after the expiration of the fifteen day period provided in the Act;

Response: NAVCOMPT 046051-4 provides that "return of any defective invoice...should be accomplished...within 15 calendar days after receipt of the invoice." This is the general rule. Shorter time frames are prescribed for special cases. If an improper invoice is detected after the appropriate date, it must still be returned. However, the Government may be liable for interest payments depending on the specific circumstances involved.

Comment: (f) receiving and accepting partial deliveries of items of equipment or supplies, but failing to make timely payments on invoices for such partial deliveries (and not paying interest when such late partial payments are finally made);

Response: If the contract permits the contractor to make partial deliveries, and to bill and be paid for such partial deliveries, there is no distinction between a bill for a partial payment and any other bill. Therefore, interest is required to be paid for any late payments.

Comment: (g) requesting contractors to resubmit their invoices (often more than once) when queried about a late payment (maintaining that the previously submitted invoice had not been received), thereby starting anew the time period for determining when the contractor's payment is due or interest is payable;

Response: There will be occasions in which the appropriate activity did not receive the bill, and the contractor's only recourse in such instances is to submit another bill. In August 1985 the following guidance was provided to Navy bill processing activities: "If evidence furnished either internally or by the vendor can establish that the invoice was lost after receipt, then the date of receipt of the first invoice must be considered in computing the payment due date and in calculating interest charges when applicable. In the absence of any proof that the lost invoice was ever received, the relevant date becomes the date a subsequent memorandum copy of the invoice was received."

Comment: (h) refusing to pay interest on late payment of "progress payments" on construction contracts, maintaining that such payments are not based upon Government acceptance of a partial performance, i.e., the satisfactorily on-going construction work;

Response: NAVCOMPT 046409-5d provides that interest will not be paid on untimely progress payments. The reason for this is because all payments of this nature are made solely for purposes of contract financing, and do not represent payments for delivered and accepted work. This should never be an issue, however, because all progress payments are generally required to be paid five to ten days after receipt of a proper request (NAVCOMPT 046071-2).

Comment: (i) refusing to pay interest on late payments for "utility" services, maintaining that they are exempt from the Act's coverage;

Response: Utility services are exempt from the coverage of the Prompt Payment Act when the contract or the applicable rate tariff establishes its own due dates and late payment charges (NAVCOMPT 046071-5e). This exempts most utility bills from Prompt Payment Act interest, but the Navy is required to pay all utility late charges on the same basis as any other customer. This is in keeping with the spirit of putting the Government on the same footing as non-Governmental entities when it comes to paying bills. Utility companies which do not assess late charges are to be paid interest on late bills, on the same basis as any other contractor.

Comment: (j) delaying "formal" acceptance of supplies, services, or construction, thereby delaying the start of the payment period mandated by the contract or the Act, after which interest is due (such delays between the time of actual delivery and the receipt of the "receiving report" by the paying office can cause substantial delays, 30 to 90 days or more).

Response: The Naval Supply Systems Command Manual (NAVSUP 23109-3) requires that bills be forwarded to the appropriate disbursing officer "within 10 days from date of receipt of material or the dealer's bill, whichever is later." We regard this 10-day acceptance period as a maximum, and have instructed our paying offices to monitor those receiving activities which exceed the standard. We are in the process of developing modifications to our existing automated bill paying systems to facilitate this monitoring requirement.

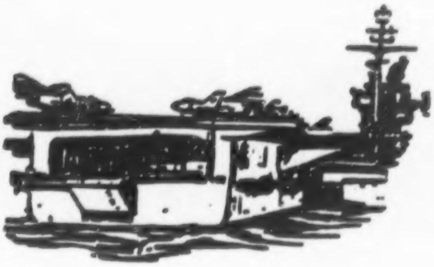
Despite all our efforts, our automated systems, procedures and personnel are not perfect 100 percent of the time. On occasion an interest payment due will be missed or a discount will be taken when not earned. However, these occurrences are the exception and not the rule. Prompt corrective action is taken when such errors are brought to the attention of Navy management.

For the most part, Navy's performance under the Prompt Payment Act is good and improving steadily. During Fiscal Year 1985, over 98 percent of 4.3 million bills subject to the Act were paid interest free. Further, Congressional and vendor inquiries have declined steadily since PPA was inaugurated. Finally, the Naval Audit Service is currently conducting a Prompt Pay compliance and performance review of 12 major Navy paying offices. Although a final report is forthcoming, preliminary findings substantiate the improved performance and compliance noted above.

Mr. Chairman, let me assure you that the Navy policy is directed toward full compliance with the provisions of the Prompt Payment Act. We will continue to aggressively monitor our activities to ensure that that policy is implemented.

Thank you for this opportunity to discuss the Navy's Prompt Payment Act program. I would be pleased to answer any questions that you may have.

FLEET FAST PAY



FLEET ACCOUNTING AND DISBURSING CENTER,

U.S. ATLANTIC FLEET

November 1984

I. INTRODUCTION

THE FLEET ACCOUNTING AND DISBURSING CENTER, U. S. ATLANTIC FLEET (FAADCLANT), HAS DEVELOPED A STREAMLINED BILL PAYMENT SYSTEM CALLED "FLEET FAST PAY." THE PURPOSE OF FLEET FAST PAY IS TO ELIMINATE DELAYS BETWEEN MATERIAL DELIVERY, INVOICE RECEIPT BY THE PAYING OFFICE, AND PAYMENT OF THE BILL WITHIN TERMS OF THE PROMPT PAYMENT ACT. THE COMPTROLLER OF THE NAVY AUTHORIZED A ONE-YEAR TEST OF THE SYSTEM STARTING OCTOBER 1, 1984. FLEET FAST PAY CAN BE USED FOR PURCHASES OF SUPPLIES, MATERIALS, SHIPS STORE AND SUBSISTENCE ITEMS MADE BY OR FOR ATLANTIC FLEET UNITS AND FOR DELIVERY TO ATLANTIC FLEET UNITS. SERVICES, RENTALS, AND MAINTENANCE ARE NOT APPLICABLE. THE SYSTEM IS SIMILAR TO THE CURRENT SHIPS STORE FAST PAY BUT HAS SOME PROCEDURAL DIFFERENCES. THIS BOOKLET EXPLAINS PROCEDURES AND FORMS TO BE USED FOR FLEET FAST PAY.

II. ORDER FOR SUPPLIES OR SERVICES

A. ATLANTIC FLEET PURCHASE DOCUMENTS ARE RECOGNIZED BY THE LETTER "V" AT THE BEGINNING OF THE REQUISITION NUMBER.

B. A PURCHASE DOCUMENT IS REQUIRED FOR EVERY PURCHASE INCLUDING CALLS PLACED UNDER A BLANKET PURCHASE AGREEMENT (BPA). THE FOLLOWING DOCUMENTS MAY BE RECEIVED:

1. DD FORM 1348-6 - USED BY SHIPS FOR CALLS UNDER A BPA.

2. DD FORM 1149 - USED BY READINESS SUPPORT GROUPS (RSG's) AND SHORE INTERMEDIATE MAINTENANCE ACTIVITIES (SIMA's) FOR CALLS UNDER A BPA.

3. LOCAL FORMS - USED BY SHORE STATIONS (NORMALLY, NAVAL SUPPLY CENTERS) PLACING CALLS FOR FLEET UNITS UNDER A BPA.

4. SF 30 - USED TO MODIFY ANY PURCHASE DOCUMENT, INCLUDING FLEET FAST PAY ORDERS.

5. DD FORM 1155 - USED BY ALL ACTIVITIES, AFLOAT AND ASHORE.

C. PURCHASE DOCUMENTS MUST NOT BE ALTERED. ANY CHANGES IN QUANTITIES, PRICES, NAME, SHIPPING INSTRUCTIONS, ETC. MUST BE MODIFIED BY THE ORDERING ACTIVITY UTILIZING THE STANDARD FORM 30.

D. THE PURCHASE DOCUMENT WILL INCLUDE THE FOLLOWING ADDITIONAL INFORMATION:

1. INSTRUCTIONS TO MAIL YOUR INVOICES TO FLEET ACCOUNTING AND DISBURSING CENTER, ATLANTIC, CODE FF, BLDG X-132, NORFOLK, VA 23511.

2. THE FAST PAYMENT PROCEDURE (APR 1984) WILL APPLY. FEDERAL ACQUISITION REGULATION CLAUSE 52.213-1 WILL BE INCLUDED IN CONTRACTS OR BPA's UNDER WHICH ORDERS ARE PLACED OR THE FAST PAYMENT PROCEDURE CLAUSE WILL BE INCLUDED AS INDICATED IN BLOCK 16 OF THE DD 1155. (SEE PAGE 6, EXHIBIT I).

3. A STATEMENT THAT "FLEET FAST PAY SPECIAL PROVISIONS APPLY" WILL BE TYPED ON THE FACE OF THE PURCHASE DOCUMENT (ITEM 16 OF THE DD 1155). A COPY OF THE SPECIAL PROVISIONS WILL BE ATTACHED TO EACH PURCHASE DOCUMENT. THESE INSTRUCTIONS ARE IN ADDITION TO THE GENERAL INSTRUCTIONS IN ITEM II.D.2. (SEE PAGE 8, EXHIBIT II).

4. IN ADDITION EACH PURCHASE DOCUMENT UNDER FLEET FAST PAY MUST:

a. BE SIGNED BY THE CONTRACTING/ORDERING OFFICER.

b. BE STAMPED "FLEET FAST PAY" ON THE ORIGINAL AND ALL COPIES.

c. SPECIFY THE METHOD OF SHIPMENT IF TRANSPORTATION COSTS ARE SUBJECT TO REIMBURSEMENT (SEE PARAGRAPH 4 OF THE FLEET FAST PAY SPECIAL PROVISIONS, PAGE 8, EXHIBIT II).

d. SPECIFY WHETHER OR NOT PARTIAL DELIVERIES ARE ACCEPTABLE.

E. A VERBAL EMERGENCY PURCHASE MAY BE REQUESTED. THIS MAY BE FOLLOWED WITH A WRITTEN PURCHASE DOCUMENT OR THE WRITTEN PURCHASE DOCUMENT MAY BE PRESENTED TO THE VENDOR UPON DELIVERY OF THE MATERIAL. THE VENDOR MUST ENSURE THAT A PURCHASE ORDER NUMBER OR CALL NUMBER IS PROVIDED AT THE TIME THE EMERGENCY ORDER IS PLACED, AND THAT THE NUMBER AGREES WITH THE FOLLOW-UP WRITTEN DOCUMENT.

F. ONE PURCHASE DOCUMENT MAY BE RECEIVED FROM THE ORDERING UNIT FOR MONTHLY SUBSISTENCE ORDERS. QUANTITIES MAY BE ESTIMATED FOR THE MONTH. THE PURCHASE DOCUMENT WILL STATE "EXACT QUANTITIES AND DELIVERY SCHEDULE WILL BE MADE BY PHONE WITHIN 48 HOURS OF REQUIRED DELIVERY DATE." PARTIAL DELIVERIES MAY BE AUTHORIZED.

III. SHIPMENT OF MATERIAL

A. THE VENDOR WILL RECEIVE THE ORIGINAL AND TWO COPIES (FOUR COPIES IN THE CASE OF TRANSSHIPMENT) OF THE PURCHASE DOCUMENT. UPON RECEIPT OF THE DOCUMENT, IT WILL BE THE VENDOR'S RESPONSIBILITY TO DELIVER, SHIP, OR MAIL THE MATERIAL. A COPY OF THE PURCHASE DOCUMENT SHOULD BE INCLUDED WITH THE SHIPMENT. IN THE CASE OF TRANSSHIPMENTS, AN ADDITIONAL TWO COPIES OF THE PURCHASE DOCUMENT ARE TO BE AFFIXED TO THE OUTSIDE OF THE SHIPMENT. ALL OUTER SHIPMENT CONTAINERS SHALL BE MARKED "FLEET FAST PAY." WHEN, UNDER EMERGENCY CONDITIONS, THE ORDER HAS NOT BEEN RECEIVED PRIOR TO SHIPMENT, ENSURE THAT THE PACKAGE IS PROPERLY LABELED WITH THE COMPLETE PURCHASE DOCUMENT NUMBER INCLUDING DELIVERY ORDER AND CALL NUMBER WHEN APPLICABLE.

B. PARTIAL DELIVERIES WILL NOT BE ACCEPTED. SHIPMENT/DELIVERY MUST BE IN THE QUANTITY ORDERED. MODIFICATION TO THE ORDER REDUCING THE QUANTITY WILL BE REQUIRED PRIOR TO PAYMENT OF A QUANTITY LESS THAN ORDERED, UNLESS THE SHIPMENT OF A LESSER QUANTITY IS DUE TO STANDARD PACK QUANTITIES SPECIFIED BY THE CONTRACT. WHEN QUANTITY NEEDED IS NOT AVAILABLE AT THE TIME ORDERED, TWO ORDERS MAY BE REQUESTED WITH DIFFERENT REQUIRED DELIVERY DATES. ORDERS FOR SUBSISTENCE ITEMS OR ORDERS PLACED UNDER EMERGENCY CONDITIONS FOR VITAL

MATERIAL WHEN A UNIT PRICE IS SEPARATELY STATED IN THE ORDER MAY AUTHORIZE PARTIAL SHIPMENTS/DELIVERIES. SPECIFIC INSTRUCTIONS MUST BE PROVIDED ON THE PURCHASE DOCUMENT IN THIS CASE. INVOICE MUST BE IN COMPLIANCE WITH DELIVERY TERMS.

C. PROOF OF SHIPMENT/DELIVERY MUST ACCOMPANY THE INVOICE. SEE INSTRUCTIONS UNDER INVOICE PREPARATION, PARAGRAPHS IV.A.7 AND 8.

IV. INVOICE

A. PREPARATION

1. FOR QUICK IDENTIFICATION, THE INVOICE SHOULD BE CLEARLY MARKED "FLEET FAST PAY."

2. THE INVOICE MUST INCLUDE A COMPLETE COMPANY NAME AND REMITTANCE ADDRESS, INVOICE NUMBER, DATE, CONTRACT/ORDER NUMBER AND CALL NUMBER IN THE CASE OF BPA's, AND TERMS WHEN APPLICABLE.

3. THE INVOICE MUST BE ITEMIZED SHOWING A DESCRIPTION OF THE MATERIAL, QUANTITY, UNIT PRICE, EXTENSION, AND TOTAL BILLED.

4. WHEN AUTHORIZED BY THE PURCHASE DOCUMENT, PREPAID SHIPPING COSTS MUST BE ADDED TO THE INVOICE AS A SEPARATE ITEM. THE VENDOR MUST RETAIN RELATED PAID FREIGHT BILLS OR OTHER TRANSPORTATION BILLINGS PAID SEPARATELY FOR A PERIOD OF THREE (3) YEARS AND FURNISH THE BILLS TO THE GOVERNMENT WHEN REQUESTED FOR AUDIT PURPOSES.

5. INDIVIDUAL INVOICES MAY BE USED FOR EACH ORDER/CALL PLACED UNDER A BPA.

6. WHEN A SUMMARY INVOICE BILLING UNDER A BPA IS USED, THE SUMMARY INVOICE MUST BE ITEMIZED OR ITEMIZED DELIVERY TICKETS MUST BE ATTACHED. THE ORIGINAL ORDER FOR EACH CALL BILLED ON THE SUMMARY MUST ALSO BE ATTACHED.

7. IF SHIPPED BY THE POST OFFICE OR COMMON CARRIER, THE INVOICE MUST INCLUDE THE DATE OF SHIPMENT, NAME AND ADDRESS OF THE CARRIER, BILL OF LADING NUMBER, AND ANY OTHER SHIPMENT IDENTIFICATION; OR ATTACH SUCH DOCUMENTS TO THE ORIGINAL INVOICE AS PROOF OF SHIPMENT.

8. IN CASE OF DELIVERY BY OTHER THAN THE POST OFFICE OR COMMON CARRIER, A RECEIPTED COPY OF THE CONTRACTORS DELIVERY DOCUMENT MUST BE ATTACHED TO THE ORIGINAL INVOICE AS PROOF OF DELIVERY.

B. DISTRIBUTION

1. AFTER DELIVERY IS COMPLETE MAIL THE ORIGINAL INVOICE, THE ORIGINAL PURCHASE DOCUMENT AND ALL MODIFICATIONS THERETO, AND THE PROOF OF DELIVERY/ SHIPMENT TO THE PAYMENT OFFICE. IT IS NOT NECESSARY TO SEND THE COPIES OF THE FAST PAY INSTRUCTIONS OR THE SPECIAL PROVISIONS OF FLEET FAST PAY THAT WERE ATTACHED TO YOUR PURCHASE DOCUMENT.

2. MAIL OR DELIVER A COPY OF THE INVOICE TO THE UNIT RECEIVING THE MATERIAL.

3. WHEN PARTIAL DELIVERIES ARE SPECIFICALLY AUTHORIZED IN THE PURCHASE DOCUMENT, A SIGNED COPY OF THE ORDER AND ALL MODIFICATIONS (ORIGINAL WITH FIRST PARTIAL INVOICE) AND PROOF OF SHIPMENT/DELIVERY MUST ACCOMPANY EACH INVOICE AT TIME OF SUBMISSION TO FAADCLANT FOR PAYMENT.

V. RESPONSIBILITY FOR SUPPLIES

A. AS IN THE CURRENT FAST PAY PROCEDURE, THE CONTRACTOR SHALL ASSUME ALL RESPONSIBILITY AND RISK OF LOSS FOR MATERIAL NOT RECEIVED AT DESTINATION, DAMAGED IN TRANSIT, OR NOT CONFORMING TO PURCHASE REQUIREMENTS (SEE PAGE 6, EXHIBIT I).

B. THE CONTRACTOR SHALL REPLACE, REPAIR, OR CORRECT MATERIAL PROMPTLY AT HIS OWN EXPENSE, PROVIDED INSTRUCTIONS TO DO SO ARE FURNISHED BY THE CONTRACTING OFFICER OR HIS AGENT WITHIN 90 DAYS (180 DAYS FOR OVERSEAS SHIPMENTS) FROM THE DATE TITLE TO THE SUPPLIES VESTS IN THE GOVERNMENT.

C. THE CONTRACTOR AGREES THAT THE SUBMISSION OF AN INVOICE TO THE GOVERNMENT FOR PAYMENT IS A CERTIFICATION THAT THE SUPPLIES FOR WHICH THE GOVERNMENT IS BEING BILLED HAVE BEEN SHIPPED OR DELIVERED IN ACCORDANCE WITH THE SHIPPING INSTRUCTIONS ISSUED BY THE ORDERING OFFICER. THE CONTRACTOR ALSO AGREES THAT SUCH SUPPLIES ARE IN THE QUANTITY AND OF THE QUALITY DESIGNATED BY THE CITED PURCHASE ORDER.

VI. PAYMENT OF INVOICES

A. PAYMENT WILL BE MADE WITHIN THE PURCHASE DOCUMENT TERMS, IF IN ORDER, WHEN THE REQUIREMENTS OF THE PROMPT PAYMENT ACT AND THE U.S. TREASURY CASH MANAGEMENT POLICY HAVE BEEN SATISFIED. DATE OF PAYMENT WILL BE CALCULATED FROM THE DATE A PROPER INVOICE IS RECEIVED AT THE PAYMENT OFFICE. IF THE DATE OF PAYMENT IS NOT OTHERWISE ESTABLISHED IN THE CONTRACT, THE FOLLOWING WILL APPLY:

1. PERISHABLE MEAT, MEAT PRODUCTS, POULTRY AND EGG PRODUCTS - 7 DAYS.
2. PERISHABLE AGRICULTURAL PRODUCTS - 10 DAYS.
3. ALL OTHER - 30 DAYS.

B. NORMALLY, PAYMENT WILL BE MADE ON THE DUE DATE. IF PAYMENT IS MADE DURING THE "GRACE" PERIOD, NO INTEREST IS PAYABLE. THE GRACE PERIODS ARE: MEAT - 3 DAYS, PERISHABLES - 5 DAYS, OTHER - 15 DAYS. IF PAYMENT IS MADE AFTER THE "GRACE" PERIOD, INTEREST IS COMPUTED FROM THE NET DUE DATE, EXCLUDING THE GRACE PERIOD. INCORRECT INVOICES WILL BE RETURNED TO THE VENDOR WITHIN 15 DAYS.

VII. PROBLEMS

A. IF THE "ORIGINAL" PURCHASE DOCUMENT SHOULD BECOME LOST, A DUPLICATE MAY BE OBTAINED FROM THE SHIP/ACTIVITY, OR THE COMPANY MAY USE THEIR FILE COPY AND MARK IT "DUPLICATE, ORIGINAL LOST" BEFORE INVOICING.

B. IF A MODIFICATION (SF 30) IS RECEIVED AFTER ORIGINAL PURCHASE DOCUMENT AND INVOICE HAVE BEEN FORWARDED TO THE PAYMENT OFFICE AND THE SF 30 IS FOR AN ADDITIONAL AMOUNT, A SECOND INVOICE, BILLING FOR THE ADDITIONAL AMOUNT, MAY BE FORWARDED WITH A COPY OF THE PURCHASE DOCUMENT AND THE "ORIGINAL" MODIFICATION.

C. MATERIAL RECEIPT PROBLEMS SHOULD BE RESOLVED BETWEEN THE COMPANY AND THE FLEET UNIT. IF NECESSARY, THE TYPE COMMANDER WILL ACT AS MEDIATOR.

TYPE COMMANDER REPRESENTATIVES ARE LISTED BELOW:

COMNAVAIRLANT (AIRCRAFT CARRIERS and AIR SQUADRONS)

COMMANDER NAVAL AIR FORCE
U. S. ATLANTIC FLEET
BUILDING T-26, CODE 41
NORFOLK, VIRGINIA 23511

TELEPHONE (804) 444-4625/3005/4247
AFLOAT SUPPLY MANAGEMENT OFFICER

COMSUBLANT (SUBMARINES AND SUB TENDERS)

COMMANDER SUBMARINE FORCE
U. S. ATLANTIC FLEET
CODE N523
NORFOLK, VIRGINIA 23511

TELEPHONE (804) 444-6826
ASSIST FORCE COMPTROLLER

COMNAVSURFLANT (ALL OTHERS)

COMMANDER NAVAL SURFACE FORCE
U. S. ATLANTIC FLEET
CODE N711
NORFOLK, VIRGINIA 23511

TELEPHONE: (804) 444-5896/7 or 444-5268
ASSISTANT SUPPLY READINESS OFFICER

D. FAADCLANT WILL GIVE INDIVIDUAL ASSISTANCE WHEN REQUESTED. TELEPHONE (804) 444-4050 FOR BILL PAYING QUESTIONS OR AN APPOINTMENT WITH A FLEET FAST PAY ASSISTANT.

VII. SUMMARY

"FLEET FAST PAY" SHOULD ELIMINATE MANY BILL PAYING DELAYS OFTEN ENCOUNTERED WITH OPERATIONAL FLEET UNITS. PIERSIDE TRANSACTIONS SHOULD MOVE QUICKER.

INADEQUATE AND DEFICIENT INVOICES OR INCOMPLETE BILLING SUBMISSIONS, WHICH ARE THE CONTRACTOR'S RESPONSIBILITY, WILL BE RETURNED TO YOU FOR CORRECTION. NOTE ESPECIALLY YOUR RESPONSIBILITY FOR LOSS OR DAMAGE.

THE INTEREST PERIOD STOPS WHEN AN INVOICE IS RETURNED TO THE VENDOR AND WILL NOT START AGAIN UNTIL A PROPER INVOICE IS RECEIVED AT THE PAYING OFFICE.

YOU CAN AVOID PAYMENT DELAYS BY FOLLOWING THESE INSTRUCTIONS, PROVIDING POSITIVE PROOF OF DELIVERY/SHIPMENT, AND COMMUNICATING PROMPTLY WITH THE ORDERING OFFICE WHEN A PROBLEM ARISES.

FAST PAYMENT PROCEDURE (APR 1984)

(A) GENERAL. INVOICES WILL BE PAID ON THE BASIS OF THE CONTRACTOR'S DELIVERY TO A POST OFFICE OR COMMON CARRIER (OR, IN SHIPMENT BY OTHER MEANS, TO THE POINT OF FIRST RECEIPT BY THE GOVERNMENT).

(B) RESPONSIBILITY FOR SUPPLIES. TITLE TO THE SUPPLIES SHALL VEST IN THE GOVERNMENT UPON DELIVERY TO A POST OFFICE OR COMMON CARRIER FOR SHIPMENT TO THE SPECIFIC DESTINATION. IF SHIPMENT IS BY MEANS OTHER THAN POSTAL SERVICE OR COMMON CARRIER, TITLE TO THE SUPPLIES SHALL VEST IN THE GOVERNMENT UPON DELIVERY TO THE POINT OF FIRST RECEIPT BY THE GOVERNMENT. NOTWITHSTANDING ANY OTHER PROVISION OF THE CONTRACT, ORDER, OR BLANKET PURCHASE AGREEMENT, THE CONTRACTOR SHALL ASSUME ALL RESPONSIBILITY AND RISK OF LOSS FOR SUPPLIES (1) NOT RECEIVED AT DESTINATION, (2) DAMAGED IN TRANSIT, OR (3) NOT CONFORMING TO PURCHASE REQUIREMENTS. THE CONTRACTOR SHALL EITHER REPLACE, REPAIR, OR CORRECT THOSE SUPPLIES PROMPTLY AT THE CONTRACTOR'S EXPENSE, BUT ONLY IF INSTRUCTIONS TO DO SO ARE FURNISHED BY THE CONTRACTING OFFICER WITHIN 90 DAYS FROM THE DATE TITLE TO THE SUPPLIES VESTS IN THE GOVERNMENT (180 DAYS FOR OVERSEAS SHIPMENTS).

(C) PREPARATION OF INVOICE.

(1) UPON DELIVERY OF SUPPLIES TO A POST OFFICE OR COMMON CARRIER, (OR, IN SHIPMENTS BY OTHER MEANS, THE POINT OF FIRST RECEIPT BY THE GOVERNMENT) THE CONTRACTOR SHALL PREPARE AN INVOICE AS PROVIDED IN THIS CONTRACT, ORDER, OR BLANKET PURCHASE AGREEMENT. IN ADDITION, THE INVOICE SHALL BE PROMINENTLY MARKED "FAST PAY."

(2) IF THE PURCHASE PRICE EXCLUDES THE COST OF TRANSPORTATION, THE CONTRACTOR SHALL ENTER THE PREPAID SHIPPING COST ON THE INVOICE AS A SEPARATE ITEM. THE COST OF PARCEL POST INSURANCE WILL NOT BE PAID BY THE GOVERNMENT. IF TRANSPORTATION CHARGES ARE SEPARATELY STATED ON THE INVOICE, THE CONTRACTOR AGREES TO RETAIN RELATED PAID FREIGHT BILLS OR OTHER TRANSPORTATION BILLINGS PAID SEPARATELY FOR A PERIOD OF THREE (3) YEARS AND TO FURNISH THE BILLS TO THE GOVERNMENT WHEN REQUESTED FOR AUDIT PURPOSES.

(3) IF THIS CONTRACT, ORDER, OR BLANKET PURCHASE AGREEMENT REQUIRES THE PREPARATION OF A RECEIVING REPORT ON A PRESCRIBED FORM, THE CONTRACTOR HAS THE OPTION OF EITHER PREPARING THE RECEIVING REPORT ON THE PRESCRIBED FORM OR INCLUDING THE FOLLOWING INFORMATION ON THE INVOICE, IN ADDITION TO THAT REQUIRED IN SUBPARAGRAPH (C)(1) ABOVE:

(I) A STATEMENT IN PROMINENT LETTERS "NO RECEIVING REPORT PREPARED."
(II) SHIPMENT NUMBER.
(III) MODE OF SHIPMENT.
(IV) AT LINE ITEM LEVEL, (A) NATIONAL STOCK NUMBER AND/OR MANUFACTURER'S PART NUMBER, (B) UNIT OF MEASURE, (C) SHIP-TO-POINT, (D) MARK-FOR POINT IF IN CONTRACT, AND (E) FEDSTRIP/MILSTRIP DOCUMENT NUMBER IF IN CONTRACT.

(4) IF THIS CONTRACT, ORDER OR BLANKET PURCHASE AGREEMENT DOES NOT REQUIRE PREPARATION OF A RECEIVING REPORT ON A PRESCRIBED FORM, THE INVOICE WILL INCLUDE AT THE LINE ITEM LEVEL INFORMATION AT THE LINE ITEM LEVEL IN ADDITION TO THAT REQUIRED IN SUBPARAGRAPH (C)(1) ABOVE:

EXHIBIT (I)

(I) SHIP-TO-POINT.
(II) MARK-FOR-POINT.
(III) FEDSTRIP/MILSTRIP DOCUMENT NUMBER IF IN CONTRACT, IN ADDITION TO THAT REQUIRED IN SUBPARAGRAPH (C)(1) ABOVE.

(5) WHERE A RECEIVING REPORT IS NOT REQUIRED, A COPY OF THE INVOICE WILL BE INCLUDED IN EACH SHIPMENT.

(D) CERTIFICATION OF INVOICE. THE CONTRACTOR AGREES THAT THE SUBMISSION OF AN INVOICE TO THE GOVERNMENT FOR PAYMENT IS A CERTIFICATION THAT THE SUPPLIES FOR WHICH THE GOVERNMENT IS BEING BILLED HAVE BEEN SHIPPED OR DELIVERED IN ACCORDANCE WITH SHIPPING INSTRUCTIONS ISSUED BY THE ORDERING OFFICER, IN THE QUANTITIES SHOWN ON THE INVOICE, AND THAT THE SUPPLIES ARE IN THE QUANTITY AND OF THE QUALITY DESIGNATED BY THE CONTRACT, ORDER, OR BLANKET PURCHASE AGREEMENT.

(E) FAST PAY CONTAINER IDENTIFICATION. ALL OUTER SHIPPING CONTAINERS SHALL BE MARKED "FAST PAY."

Exhibit (I)

FLEET FAST PAY SPECIAL PROVISIONS

1. FOR ALL SUPPLY PURCHASES OTHER THAN FOR SUBSCRIPTIONS, THE FOLLOWING IS INCLUDED: "FAST PAY PROCEDURES APPLY" (FEDERAL ACQUISITION REGULATION CLAUSE 52.213-1 FAST PAYMENT PROCEDURE (APR 1984)). THE SIGNED ORIGINAL OF THIS ORDER AND ALL MODIFICATIONS THERETO AND PROOF OF SHIPMENT/DELIVERY MUST ACCOMPANY THE INVOICE AT TIME OF SUBMISSION BY THE VENDOR TO FAADCLANT FOR PAYMENT. SUBMIT A COPY OF INVOICE TO UNIT RECEIVING MATERIAL. INCLUDE A COPY OF THE PURCHASE DOCUMENT IN THE SHIPMENT. UNLESS OTHERWISE SPECIFIED, PARTIAL SHIPMENTS/ DELIVERIES ARE NOT ACCEPTABLE. THE CONTRACTOR SHALL MAKE ONE SHIPMENT/DELIVERY IN ACCORDANCE WITH THE APPLICABLE DELIVERY TERMS AND CONDITIONS FOR THE ENTIRE ORDER QUANTITY. DO NOT SHIP ITEMS INCORRECTLY QUOTED ON PURCHASE DOCUMENT.

2. FOR ORDERS FOR SUBSCRIPTIONS, THE FOLLOWING IS INCLUDED: "FAST PAY PROCEDURES APPLY" (FEDERAL ACQUISITION REGULATION CLAUSE 52.213-1 FAST PAYMENT PROCEDURE (APR 1984)). THE SIGNED ORIGINAL OF THIS ORDER AND ALL MODIFICATIONS THERETO MUST ACCOMPANY THE INVOICE AT TIME OF SUBMISSION BY THE VENDOR TO FAADCLANT FOR PAYMENT. INVOICE MUST SPECIFY SUBSCRIPTION BEGINNING AND ENDING DATES. SUBMIT A COPY OF THE INVOICE TO THE UNIT TO RECEIVE THE SUBSCRIPTION. DO NOT BILL ITEMS INCORRECTLY QUOTED ON PURCHASE DOCUMENT.

3. IN THE CASE OF EMERGENCY PURCHASE OF VITAL MATERIAL AND WHEN PARTIAL DELIVERIES ARE AUTHORIZED ELSEWHERE IN THIS PURCHASE DOCUMENT, THE FOLLOWING IS INCLUDED: ITEMS FOR WHICH A UNIT PRICE IS SEPARATELY STATED IN THE ORDER MAY BE SHIPPED/DELIVERED IN QUANTITIES OF LESS THAN THE TOTAL ORDER QUANTITY. PAYMENTS SHALL BE MADE FOR SUCH SHIPMENTS/DELIVERIES WHEN PROPERLY INVOICED BY THE VENDOR IN ACCORDANCE WITH THE FLEET FAST PAY PROCEDURES. A SIGNED COPY OF THE ORDER AND ALL MODIFICATIONS (ORIGINAL WITH FIRST PARTIAL INVOICE), AND PROOF OF SHIPMENT/DELIVERY MUST ACCOMPANY EACH INVOICE AT TIME OF SUBMISSION BY THE VENDOR TO FAADCLANT FOR PAYMENT.

4. WHEN "OTHER" IS CHECKED IN BLOCK 8 OF DD FORM 1155 OR WHEN TRANSPORTATION COSTS ARE SUBJECT TO REIMBURSEMENT BY THE GOVERNMENT, THE FOLLOWING IS INCLUDED: "TRANSPORTATION CHARGES ARE AUTHORIZED AND SHOULD BE ADDED TO THE INVOICE AS A SEPARATE ITEM. SHIPMENT IS TO BE MADE BY (SPECIFY METHOD OF SHIPMENT)."

5. IN SHIPMENT BY POST OFFICE OR COMMON CARRIER, THE CONTRACTOR SHALL EITHER (A) CITE ON HIS INVOICE THE DATE OF SHIPMENT, NAME AND ADDRESS OF CARRIER, BILL OF LADING NUMBER OR OTHER SHIPMENT DOCUMENT NUMBER, OR (B) ATTACH COPIES OF SUCH DOCUMENTS TO HIS INVOICE AS EVIDENCE OF SHIPMENT. IN CASE OF DELIVERY BY OTHER THAN POST OFFICE OR COMMON CARRIER, A RECEIPTED COPY OF THE CONTRACTOR'S DELIVERY DOCUMENT SHALL BE ATTACHED TO THE INVOICE AS EVIDENCE OF DELIVERY.

6. ALL INVOICES AND OUTER SHIPPING CONTAINERS SHALL BE MARKED "FLEET FAST PAY." IN THE CASE OF TRANSSHIPMENTS AN ADDITIONAL TWO (2) COPIES OF THE ORDER MUST BE AFFIXED TO THE OUTSIDE OF THE SHIPMENT.

Exhibit (II)

VENDORS CHECK-OFF LIST

BEFORE MAILING YOUR INVOICE FOR "FLEET FAST PAY" PURCHASES, CHECK THE FOLLOWING ITEMS ON YOUR INVOICE AND ENSURE THE INVOICE IS IN AGREEMENT WITH YOUR PURCHASE DOCUMENT.

1. REMITTANCE NAME AND ADDRESS SHOWN?

2. ORIGINAL INVOICE WITH INVOICE NUMBER ASSIGNED AND DATE SHOWN?

3. APPLICABLE AND COMPLETE CONTRACT/ORDER OR BPA AND CALL NUMBER CITED?

4. ITEMIZED DESCRIPTION OF MATERIAL, QUANTITIES, UNIT PRICES, EXTENDED AMOUNTS OF EACH ITEM AND TOTAL OF BILLING SHOWN ON INVOICE?

5. STAMPED OR HANDWRITTEN "FLEET FAST PAY" ON THE FACE OF YOUR INVOICE?

6. INVOICE DOES NOT INCLUDE PARTIAL SHIPMENTS WHEN NOT AUTHORIZED?

7. REIMBURSABLE PREPAID TRANSPORTATION CHARGES SHOWN AS SEPARATE ITEM?

8. PROOF OF SHIPMENT/DELIVERY ATTACHED OR NAME AND ADDRESS OF SHIPPER AND DATE SHIPPED SHOWN ON INVOICE?

9. ALLOWABLE CONTRACT QUANTITY LIMITATIONS NOT EXCEEDED?

10. MATERIAL SHIPPED ACCORDING TO CONTRACT INSTRUCTIONS?

11. SIGNED ORIGINAL PURCHASE DOCUMENT AND ALL MODIFICATIONS INCLUDED WITH EVERY INVOICE? (COPIES MAY BE USED ON 2nd AND SUBSEQUENT BILLINGS OF PARTIAL DELIVERIES WHEN AUTHORIZED.)

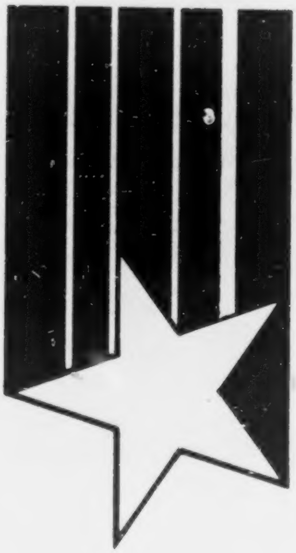
12. ORIGINAL INVOICE AND ORIGINAL PURCHASE DOCUMENT MAILED TO: FLEET ACCOUNTING AND DISBURSING CENTER, ATLANTIC, CODE FF, BLDG X-132, NORFOLK, VA 23511?

13. COPY OF INVOICE MAILED TO RECEIVING ACTIVITY?

14. COPY OF PURCHASE DOCUMENT INCLUDED IN SHIPMENT? IF TRANSSHIPMENT, TWO (2) COPIES OF PURCHASE DOCUMENT ATTACHED TO OUTSIDE OF SHIPMENT? IF, UNDER EMERGENCY CONDITIONS, PURCHASE DOCUMENT NOT RECEIVED, FULL PURCHASE DOCUMENT NUMBER INCLUDING DELIVERY ORDER OR BPA NUMBER ANNOTATED ON OUTSIDE AND INSIDE OF PACKAGE?

15. OUTSIDE SHIPMENT MARKED "FLEET FAST PAY"?

16. NO ALTERATIONS MADE ON PURCHASE DOCUMENT? SF 30 MODIFICATION ATTACHED FOR ANY CHANGES?



Vendor Payment Guide

Navy Regional Finance Center
Washington, DC

Introduction

Bill paying is a team effort requiring the cooperation of everyone involved. This pamphlet has been prepared by the Navy Regional Finance Center, Washington, D.C. (NRFCWASH) to explain how bills are paid and to detail what you, the vendor, must do in order to have your bills paid promptly and properly. Hopefully, it will lead to an increased understanding of bill paying, resulting in increased cooperation and better service to you.

Prompt Payment Act and Cash Management

The Prompt Payment Act (P.L. 97-177) was enacted by Congress to ensure the timely payment of bills. It requires that bills (with some exceptions) be paid within 30 days after receipt and acceptance of (1) the materials/services or (2) the invoice, whichever is later. Bills paid more than 30 days after acceptance (or any other time period specified in the purchase order or contract) will normally accrue interest. This interest is payable only if the bill remains unpaid 15 days after the 30 day time period or other contract specified time period.

Responsible cash management dictates that payments be made as close as possible to, but not later than, (1) the due date, or, if appropriate, (2) the discount due date. Prompt payment and cash management together will reduce not only late payments but early payments as well, resulting in savings to the government.

There are two exceptions to regular prompt payment terms: (1) perishable agricultural commodities and (2) meat and food products. Invoices with these special terms must be clearly identified as being subject to the Perishable Agricultural Act of 1940 or the Stockyard Act of 1921. Bills for perishable agricultural commodities must be paid by the tenth day after the date of delivery. Bills for meat and food products must be paid by the seventh day after the date of delivery. The only exception for payment of these products and commodities is when the contract specifies another timeframe.

Prompt payment applies only to procurements made after October 1, 1982. Prior year contracts cannot be modified to be included under the Act, nor can interest be paid under these contracts.

The Procurement Process

The procurement process begins when an authorized Navy contracting office issues a procurement document to a vendor. When you, the vendor, receive the procurement document, you should check it to ensure accuracy of requested materials/services, quantity, unit price, and total price. The procurement document will also specify payment and invoicing terms. If any discrepancies are noted on your copy of the procurement document, you should immediately contact the contracting office that issued the document. Every attempt to clarify discrepancies should be made prior to shipment of supplies or performance of services. This prompt action will accelerate the payment process.

Procurement
Document

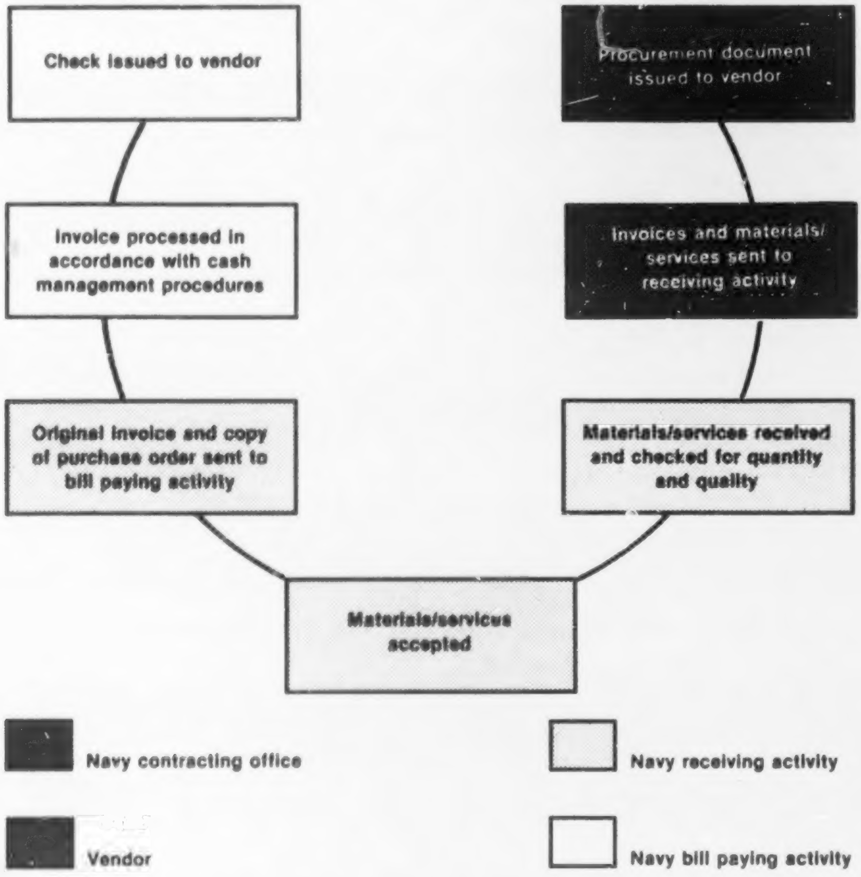
The Payment Process

The Navy shares a goal with vendors: We both want your bills to be paid in a timely and accurate manner. This goal can be achieved if vendors and the Navy accomplish the prescribed bill paying actions within the specified timeframes. If these actions or timeframes are neglected, the payment of bills can be delayed.

Invoice Distribution

Under most circumstances, you should send the original and three copies of the invoice to the Navy activity receiving your goods or services for acceptance. There are some exceptions to this rule, which will be noted on the procurement document.

Unless you are otherwise instructed on the procurement document, do not send the invoice to the address in Block 15 ("PAYMENT WILL BE MADE BY" block) on the DD 1155 (Order for Supplies and Services). This block is normally for internal Navy use, and only on rare occasions would you be told to use the address in it. Because you would use that address so infrequently, we suggest that you double check with the contracting officer when you are instructed to use it. If NRFCWASH receives an invoice directly from the vendor without it first having


Check issued to vendor
Procurement document issued to vendor
Invoice processed in accordance with cash management procedures
Invoices and materials/services sent to receiving activity
Original invoice and copy of purchase order sent to bill paying activity
Materials/services received and checked for quantity and quality
Materials/services accepted
Navy contracting office
Navy receiving activity
Vendor
Navy bill paying activity

How the Navy Pays Its Bills

gone to the Navy receiving activity cited in Block 13 on your DD 1155, we are required to return it to the vendor. This delays payment of the invoice.

Additionally, prompt payment terms will not apply until a correct invoice is received and the materials/services are accepted at the activity designated on the procurement document to certify and accept your materials/services. Take the time to make sure you are sending the documents to the correct activity for certification.

Once the activity that received the materials/services has certified the invoice for payment, the invoice will be sent to us. Current Navy guidelines require that unless otherwise specified in the contract, the activity certifying and accepting the materials/services has a maximum of 10 days from the latter of receipt of (1) the materials/services or (2) the invoice to forward that invoice for payment to the finance center. When the invoice is received at NRFCWASH, it will be reviewed, controlled by payment date, audited, then paid in accordance with prompt payment and cash management procedures.

Normally vendors will be notified by the activity receiving the invoice of any apparent errors, defects, or improprieties within 15 days of receipt of an invoice. Two exceptions to this policy are that you will be notified within three days for invoices for meat or food products and within five days for invoices for perishable agricultural commodities.

Quantity Billed

The quantity of materials delivered or services rendered should be limited to the amount specified in the contract or procurement document. Don't deviate from those terms without prior written approval from the contracting officer. When contract variations (±10%) are authorized, they apply to each contract line item unless specified otherwise in the contract.

Transportation Charges

When material is purchased as F.O.B. (Free on Board) plant and the contract provides for shipment at your expense subject to reimbursement, show the transportation costs on the invoice as a separate item. Do not bill for transporatation charges that are not authorized by your purchase document. If you bill the unauthorized charges, they will be deducted and your bill will be paid for the authorized amount only.

Interest Payments

The law requires the Navy to pay your bill not later than 30 days following (1) the acceptance of the materials/services or (2) the receipt of your invoice, whichever is later.

Interest starts accumulating on the 31st day after acceptance but isn't payable unless the invoice remains unpaid past the 45th day. For example, if the invoice is paid on the 37th day, no interest is paid. If it is paid on the 46th day, a full 16 days of interest is paid. NOTE: In no case will interest accrue for more than one year.

The interest rate used in late payments is the rate established by the Department of the Treasury semiannually, not the rate established by the individual firm.

If after receipt of a payment you believe you are owed interest, do not bill for this interest. Please call, write, or visit the payment information branch at NRFCWASH and provide the information required. We will research your inquiry and reply within five business days.

Any interest charges calculated at $1 or greater will be paid to the vendor. The government is under no obligation to pay an interest charge for less than $1.

Discounts

The Department of the Treasury sets standards for discounts in January and July. Discounts offered must be equal to or more than those standards in order to be accepted by government agencies. Keep this in mind when negotiating payment terms with the contracting office. If an offered discount is less than the Treasury standard, the invoice will be treated as a net invoice.

The discount time clock starts at the receipt of the materials/services or invoice by the certifying activity, whichever is later, unless the contract specifies otherwise. The discount is taken only if the invoice arrives at NRFCWASH in time to be processed for payment under discount terms. Invoices received after the discount due date are treated as net invoices.

Discounts are advantageous to vendors because they allow them to receive payment in less than the usual 30 day timeframe. Remember, however, that discounts can be taken only if the invoice arrives at NRFCWASH in a timely manner.

If the government takes a discount as specified in the contract after the discount due date and this improper discount is not corrected before the end of the grace period (usually 15 days), interest will accrue on the unpaid balance. It will accrue from the day after the improper discount was taken until paid.

Blanket Purchase Agreements

If you are a Blanket Purchase Agreement (BPA) holder, you can invoice monthly either by summary or itemization.

If you invoice by the summary method, make sure that each delivery ticket applicable to that invoice is securely attached. Put the appropriate BPA and call numbers on each ticket.

If you use an itemized invoice, please make sure you list every line item delivered during the billing period.

Fast Payment Invoices

Unlike regular invoices, fast pay invoices are not sent directly to the activity receiving the goods and services. Fast pay invoices should be sent to the address shown in Block 15 on the DD 1155.

A fast pay order will be clearly identified as such on the procurement document. It can be initiated by the contracting officer only. Stamping your invoice "fast pay" does not make your invoice a fast pay invoice.

Fast pay invoices are subject to the same cash management procedures as prompt payment invoices.

Corrected Invoices

Invoices marked "corrected," "adjusted," "revised," etc., are acceptable only in two circumstances.

1. The originial invoice is attached to the corrected invoice.

OR

2. An incorrect payment was made on an earlier invoice.

In both cases, the amount shown on the corrected invoice must not have been paid on the originial invoice.

Altered Invoices

Only a vendor may alter an invoice, although not all invoices may be altered. Alterations must be initiated by the vendor and be in compliance with the accepted contract or procurement document. Some altered invoices will be returned to the vendor. They are invoices based on (1) oral orders, (2) unpriced orders, or (3) imprest funds which have been altered to increase the quantity, unit price, extension, or total amount.

Invoice Check-off List

When preparing your invoice, make sure that it contains this information:

- Name and address of your company (should be the same as on the procurement document)
- Invoice date
- Contract or purchase order number
- Description, unit and total prices, extensions, and quantity of property/services actually delivered or rendered
- Shipping and payment terms
- Line items on the invoice agree with line items on the procurement document
- Other substantiating documentation or information as required by the contract
- Name, title, and complete mailing address of the responsible official to whom payment is to be sent (must be the same address as on the procurement document)

Invoice numbers and dates are essential in expediting payment. The absence of these numbers requires additional research to make sure prior payments have not occured. This can delay receipt of your check. We urge you to assign invoice numbers and dates to your invoices under each contract.

Once you have verified that your invoice contains the proper information, you should ask yourself the following questions before submitting the invoice for payment.

1. Did I read my contract or purchase order carefully?

2. Did I sign and return my contract to the contracting officer?

3. Were the invoice extensions and totals verified?

4. Have I exceeded the allowable contract quantity limitations on my invoices?

5. Were reimburseable prepaid transportation charges shown as a separate item on my invoice?

6. Were assignment papers correctly prepared and distributed?

After you have answered "yes" to these questions, send your invoices to the activity receiving your goods or services, unless the purchase order specifies otherwise.

What To Do If Payment Is Delayed

If you have not received payment shortly after the 30 days have elapsed from the acceptance date (or any other agreed upon timeframe), don't panic. The check is probably in the mail. Due to cash management practices, checks are not mailed until the 30th day after certification (or other agreed upon timeframe), so please allow a few days for mailing.

If this timeframe has passed and you still don't have the check, call the certifying activity (the activity receiving your goods or services) first. Make sure that (1) the materials/services were indeed received, (2) the invoice was received, and (3) the necessary documentation was certified and forwarded to this office for payment by the certifying activity.

If everything checks out at the certifying activity, the next step is to call NRFCWASH's payment information line on (202) 695-9011. A recording will request that you provide certain basic information regarding your contract/purchase order, and a researcher will get back to you within five business days with information about your payment. This system operates 24 hours per day, seven days a week to allow all callers the opportunity to get through to NRFCWASH with their inquiries.

When you call, you will be asked to provide the information listed below:

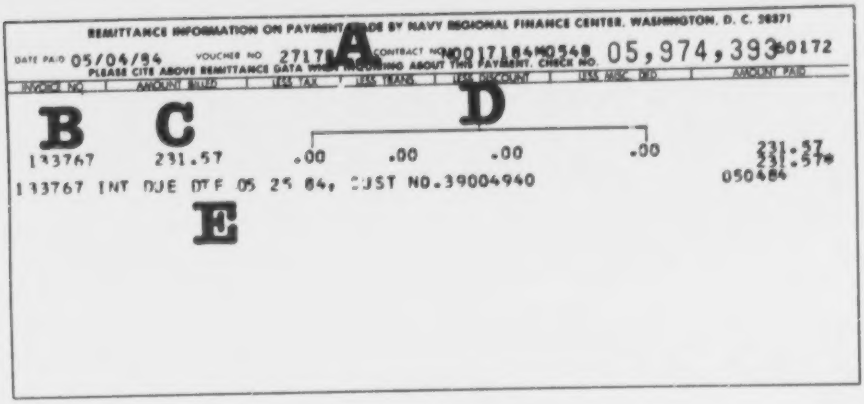
- Purchase order or contract number
- Company number
- Invoice number and date
- Invoice amount
- Your name and telephone number

In addition, you are welcome to visit our office in room 206, Crystal Mall 3, 1931 Jefferson Davis Highway, Arlington, VA, from 7:30 a.m. to noon and from 12:45 p.m. to 4:00 p.m. on business days. Or, you may send a written inquiry to: Navy Regional Finance Center, ATTN: Code 412 (Prompt Pay), Washington, D.C. 20371-5400. In all cases be sure to provide the information listed above. Every effort is made to respond to both written and telephone inquiries within five business days from receipt of that inquiry.

Checks

A stub is attached to each government check. KEEP THIS STUB. It shows which invoice(s) the check is for and serves as a payment record for you. The stub also contains information which you will need if you have any questions about your payment.

Code	Description
A	Contract or purchase order that requested your materials/services.
B	Your invoice number. (Note: If you do not assign a number to your invoice, the invoice date will be used; e.g., 042084.)
C	Amount of your invoice.
D	Any deduction taken. (For example: If a 2% discount was authorized, the discount taken would be placed here.)
E	Interest due date. (If your invoice is paid after this date, interest (at the Treasury rate) will be included either on this check or a separate interest check will be issued.)
F	Payment date. (Check is mailed on this date.)
G	Check number. (Checks in the 3 and 5 million series are issued by disbursing symbol 5101 from NRFCWASH.)
H	Your company's name and address.



REMITTANCE INFORMATION ON PAYMENT MADE BY NAVY REGIONAL FINANCE CENTER, WASHINGTON, D. C. 20371

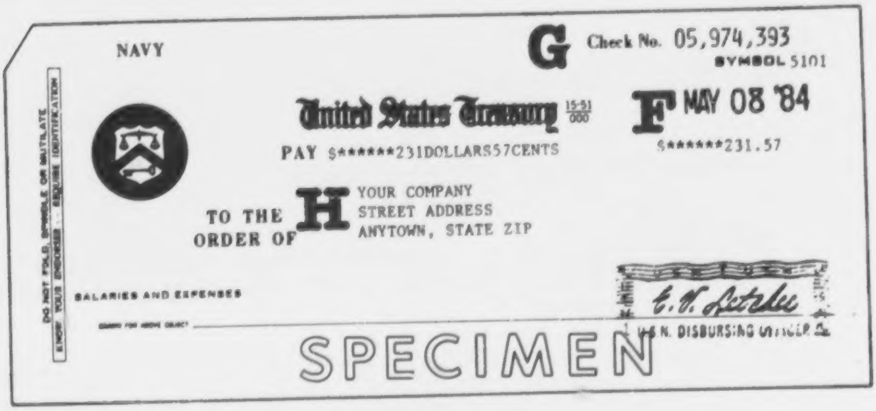
DATE PAID 05/04/84 VOUCHER NO 2717 CONTRACT NO N0017184M0548 05,974,393 60172

PLEASE CITE ABOVE REMITTANCE DATA WHEN INQUIRING ABOUT THIS PAYMENT. CHECK NO.

INVOICE NO.	AMOUNT BILLED	LESS TAX	LESS TRANS.	LESS DISCOUNT	LESS MISC. DED	AMOUNT PAID
133767	231.57	.00	.00	.00	.00	231.57 231.57* 050484

133767 INT DUE DTE 05 25 84, CUST NO.39004940

Check Stub



NAVY

Check No. 05,974,393
SYMBOL 5101

United States Treasury 15-51/000

MAY 08 '84

PAY $******231DOLLARS57CENTS

$******231.57

TO THE ORDER OF
YOUR COMPANY
STREET ADDRESS
ANYTOWN, STATE ZIP

SALARIES AND EXPENSES

DO NOT FOLD, SPINDLE OR MUTILATE
KNOW YOUR ENDORSER — REQUIRE IDENTIFICATION

E. V. Letelue
U.S.N. DISBURSING OFFICER

SPECIMEN

Check

Points of Contact

Payment Information Line

(202) 695-9011

This system operates 24 hours per day, seven days a week.

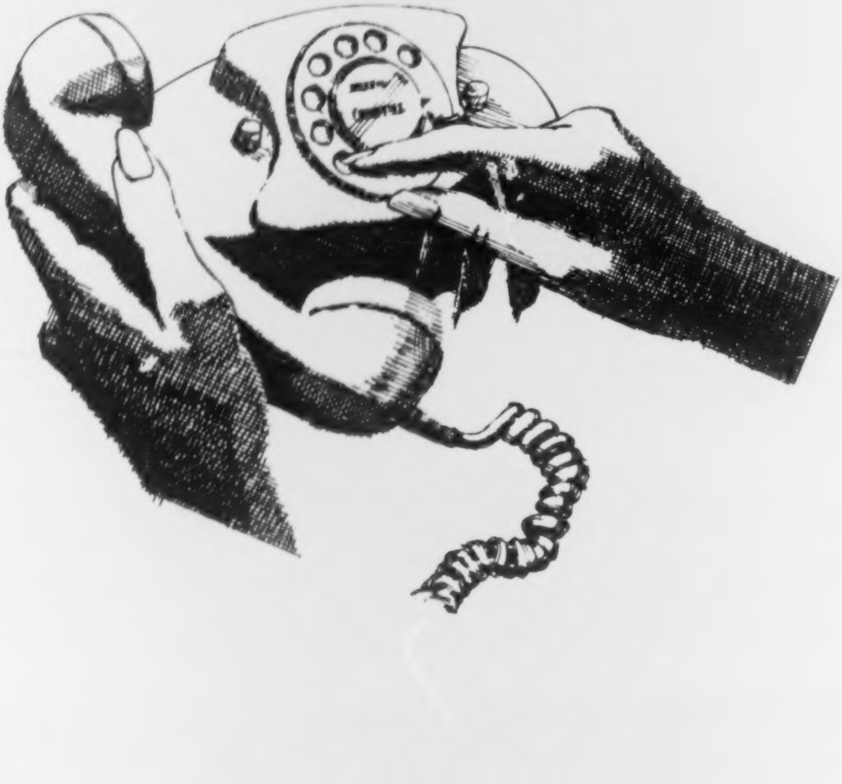
Walk-in Service

Prompt Payment and
Information Branch
Navy Regional Finance Center
Room 206, Crystal Mall 3
1931 Jefferson Davis Highway
Arlington, Virginia

This office is open from 7:30 a.m. to noon and from 12:45 p.m. to 4:00 p.m. on business days.

Written Inquiries

Navy Regional Finance Center
ATTN: Code 412 (Prompt Pay)
Washington, DC 20371-5400



Senator **Trible**. Do you think that Congress should change the law to mandate specifically that receiving acceptance certification be completed within the 30-day standard, or perhaps dividing the 30 days in two parts—15 days for receiving or certification and 15 days for payment?

Captain **Harshbarger**. I think from the Navy's point of view, Senator, we think the law is adequate. I think we have shown you, and I have given you in my statement, an answer to some of the concerns that you have raised, that we have in place policy that complies with the law.

I think where our emphasis is required now is to ensure that that policy is, in fact, carried out by all the activities and the thousands of people who, in fact, have to process the bills and process the receipts.

We recognize we've got some problems in that area, and we're working on trying to correct those.

Senator **Trible**. Well, now, when it takes many months for receiving an acceptance to take place, is it fair for the Navy to start counting 30 days from the time the finance office gets involved?

Captain **Harshbarger**. Again, I think you have to look at the particular situation, Senator. What did the parties envision when they contracted and what was our actual performance? You've really got to look at those on a case-by-case basis.

Senator **Trible**. Well, but the Congress has said, Captain, that payment is to be made within 30 days. The Congress then gave, primarily because of the concerns expressed by DOD, an additional 15-day period, a grace period. So the Congress has said very clearly that we want bills paid within 45 days.

Now, the Congress did not mean by that, 45 days following months and months of bureaucratic delay. What the Congress intended was 45 days from the transaction.

Captain **Harshbarger**. Except in putting the law into effect, Congress said, "You've got three things to look at. You have acceptance of the merchandise or services, receipt of a proper invoice and for execution of the contract." So there are three different dates.

Now, the acceptance period is up front from that. So it's prior to starting the clock under the law.

Senator **Trible**. OK.

Captain **Harshbarger**. What we're talking about and the concern I heard is how much time are you taking after shipment is made until you start the clock? I think that's the main issue.

Senator **Trible**. I don't believe that that was it. I believe you misread the intention of Congress. And I understand the interpretation that you and other Federal agencies have made. But that frustrates the intention of Congress. Congress' clear intention was that bills would be paid promptly. Thus the name of the Prompt Payment Act. And prompt payment was defined as 30 days plus 15 days. That doesn't mean 45 days on top of months and months of delay.

So I think that what you're telling me in your response is that Congress has to be more precise in saying what it means. And I guess that's where we are today.

Please, go ahead.

Captain **Harshbarger**. We have, as I said, think we've made some vast improvements. In a large measure, though, the improvements that we can make will be somewhat limited by contractor performance. To the extent contractors are able to keep their paperwork flowing accurately and timely, it will help us in trying to ensure that they get paid promptly. From our point of view, we would like to pay and incur no interest.

I have provided you with a copy of what we call a vendor payment guide. This particular one is put out by Navy Regional Finance Center, Washington. The Fleet Accounting and Disbursing Center Atlantic and NSC Norfolk have a similar guide that they use here in the Tidewater area.

The purpose of these guides is to do two things: To explain to contractors how our payment system works, and to advise contractors of what do they need to do to get paid.

Senator **Trible**. Does it really say, "The check's in the mail?"

Captain **Harshbarger**. I wanted to comment on that, sir. Yes, sir, it does, and I would like to put that in context. The quote you made was from page 7 of this particular guide, and it comes from a section titled, "What to do if payment is delayed."

Senator **Trible**. Please.

Captain **Harshbarger**. I won't defend the choice of the words in there, so I guess I better explain them.

Senator **Trible**. No, no, that is an absolute winner in terms of a laugh line. You know, when you go out to the provinces and you say, "I'm from Washington, and I have some good news," or, it's like saying, "The check's in the mail." So I was just struck by that, and I didn't see the entire page. It was just brought to my attention. So if I took it out of context, I want you to correct the record. But I thought it was an interesting choice of words.

Captain **Harshbarger**. Yes, sir. The next revision, we probably won't have any such statement in there, Senator.

To put it in context, what that statement is, is part of a paragraph that's telling a contractor that under OMB cash management policies, we are required to make payment just about on the 30th day. We are precluded from paying early. Of course, this is a way we could really take care of the problem by simply accelerating payments as early as possible. OMB says, "No, you will pay on or about the 30th day."

So what that statement was intended to tell a contractor was that, "If you have not been paid around the 30-day point, maybe up to 35 days, it's probably in process. It would have been paid on the 30th day, and that will be the date of the check. It may come to you a few days later."

What it continues on then to say is what do you do if the check doesn't show up in a reasonable period of time? Then it goes on to explain the contractor should contact the requiring activity, the contracting activity, and finally the paying office. In this particular case, it gives a specific contact at Navy Regional Finance Center Washington, to process the problem.

Senator **Trible**. For the sake of the record, why don't we just include in the record an excerpt from the Vendor Payment Guide from the Navy Regional Finance Center, Washington, D.C., the section entitled, "What To Do if Payment Is Delayed?"

Captain HARSHBARGER. I would appreciate that, Senator.

Senator TRIBLE. It will include all those words and more.

[Information referred to follows:]

What To Do If Payment Is Delayed

If you have not received payment shortly after the 30 days have elapsed from the acceptance date (or any other agreed upon timeframe), don't panic. The check is probably in the mail. Due to cash management practices, checks are not mailed until the 30th day after certification (or other agreed upon timeframe), so please allow a few days for mailing.

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Captain HARSHBARGER. To continue on with this particular guide, not only does it show the contractor how our payment operations work, it points out some problems that we have when contractors do things that affect when they get paid.

Some of the examples would be situations where a contractor doesn't promptly sign and return either a contract or a contract modification back to the contracting office. So we don't have a record then on which to base that payment.

Sending in invoices that don't reflect the proper contract order number or an order number again gives us a problem in matching up an invoice to determine if it covers a valid requirement.

We run into a problem where the letterhead on the invoice does not exactly match the name of the contractor with whom we're doing business as shown on the contract. Our systems will bounce such invoices. If there is any deviation between with whom we contracted and who is billing us, we will send it back for clarification.

Senator TRIBLE. OK. Now, I can well envision hundreds of problems that occur where the paperwork that's submitted is not in proper form or does not accurately reflect the contract. And the Government has a responsibility to ensure the taxpayer dollars are well and properly spent. That means you have to take time to process these papers.

The problem seems to be, at least the problem discussed here today, that there is substantial delay often in the process and the contractor is not advised that there is a problem. Time will elapse, and the contractor then calls the Navy and says, "Why haven't I received my payment?" And they will say, "Well, we've lost the invoice, or there is a problem here of the form or the paperwork."

Is that a management problem when it exists, recognizing again that, tens of thousands of contracts are being paid each day, I am sure, at a very timely fashion?

Captain HARSHBARGER. Part of it, I think, is a problem of large numbers. With respect to policy, the policy is clear. The policy says that in accordance with the law, defective invoices or incorrect invoices must be returned within 15 days, and if they're not returned within 15 days, then generally that's going to have an impact on how much time there is left before the interest clock starts ticking.

Again, on an individual activity or an individual invoice examiner basis, I can't guarantee it's done right in all cases.

Keep in mind, Senator, that a lot of this paper is processed by GS-4 and GS-5 clerical people. They are processing vast amounts of paper. You can say, generally, bills are processed in a very timely manner, but mistakes and errors in judgment are going to be made. Misunderstandings of policy will occur.

All I can say to that is that when those errors are brought to the attention of Navy management, we take action to fix them. We look at these errors to see if they are simply just the routine things being messed up or are they indicative of a systemic problem or a policy.

We are conscious of this. We are looking at that type of situation.

Another of the contractor errors, and probably the one that causes the most problems and pain in the payment cycle, is sending the invoice to the wrong place. Our contracts are specific with respect to where to send the invoices. In most cases, the invoice goes to the receiving activity.

Also, on the face of the contract per the Prompt Payment Act, is a block that says, "Payment will be made by," and it designates the paying office. If you read the contract carefully, you will be directed to send your invoices to one place and payment will be made by another place.

Frequently, what contractors do is send the invoice directly to the paying office. The paying office can't do anything with that invoice, and therefore it must be returned to the contractor to start the cycle all over. So you may lose a couple of weeks in that process by submitting an invoice, having it bounce back saying, "Send it to the ship or send it to the supply center," whatever the case may be.

About 250,000 cases last year out of 5 million bills that we processed had that sort of a problem. So it is fairly significant.

I have mentioned, I think, some of our efforts that we have employed to improve our bill paying process. We have automated systems. We consider our policy is in accordance with the law. We consider we have adequate procedures out there, and we have trained our people to do the right thing.

Unfortunately, that doesn't happen 100 percent of the time. Occasionally, we are going to miss paying interest when we should have. We are going to take a discount after the discount period. These problems will occur. We consider that they are the exception rather than the rule.

As I said, when these types of problems are brought to the attention of Navy management, we will take prompt corrective action.

There has been quite a bit of discussion today about the use of the 15-day grace period. Again, I would like to refer back to our policy. Our policy is to pay within the 30-day period; neither early nor late. We use the grace period when situations occur where we can't make payment by the 30th day. But none of our systems are set up, as I have heard some testimony this morning allege, to specifically use that 15 day period on a regular basis. We are not doing business that way.

As far as I know, we have had no cases of invoices being thrown away, simply to make the record look good. If contractors are concerned with that type of problem and have specifics, I would be more than happy to find out about that. We have a very large IG staff that would be more than happy to look into that type of a problem. It would be totally inappropriate.

I want to assure you again, Senator, that our policy is directed toward full and complete compliance with the act. We will monitor our activities' performance under the act, and see that performance is up to standards.

May I answer any other questions for you, sir?

Senator TRIBLE. What about the grace period? Why not eliminate the grace period at this point? You know, in the original bill the Senate had no grace period; 30 days, period. The House bill provided for a 15-day period of grace. And OMB argued that this grace period was necessary for the Department of Defense primarily. We have now had 3 years' experience with the bill. You have stated today some of the procedures that are in place and the policy that's in place. Why have a 15-day grace period?

Captain **Harshbarger.** I think it still makes sense for the exception type situation. As I mentioned, our diverse activities give us problems in getting the information from place to place particularly considering the number of activities involved. We are going to have situations where we simply can't turn it around in 30 days. Without the 15-day grace period, then that would mean there would be a number of very small interest payments for upward of—well, 15 days maximum.

I really question whether that's a prudent use of our resources to track those things and make small interest payments. If Congress decides that that should be eliminated, obviously we can comply with it in our systems. They would simply identify transactions that were not settled within 30 days and the interest clock would start from day 31 rather than having the 15 days grace period before interest was payable.

Senator **Trible.** Well, if your clock started on day one, I would be much more sanguine about a grace period. But it doesn't seem like that that's always the case.

Captain **Harshbarger.** No; the clock starts on——

Senator **Trible.** Nor perhaps even often the case.

Captain **Harshbarger.** Well, the clock starts on day 31 if we make payments starting with day 46. This is the way the grace period operates.

You've heard a number of comments this morning about horror stories, if you want to put them in that sort of a category. I can't relate those specific examples, in terms of percentage, to the overall effectiveness of our system. Its a very small percentage. We're never going to get perfect. We are still going to have the situation where people don't do the right thing. They make mistakes. They mess things up. And those are going to happen.

So I am not sure you have what I would call a random sample on which to assess how prevalent is the problem. Is it widespread or are they isolated instances?

Senator **Trible.** Because the tension you have here is that a delayed payment, although it may not be substantial in your book in the face of multibillions of dollars of business transacted, appears to be rather substantial in the life of a small-business person.

Captain **Harshbarger.** If, in fact, those are situations where we ought to pay interest we do. The issue usually is when you start the interest clock. That's why I say it's very difficult to deal without specifics because you have to go through all the detail. In many cases, when we get into specifics, we find there is a valid reason as to why payment wasn't made.

We have situations where contractors send us in large piles of invoices saying, "What's the status on these?" We work those over, and we find out that some of them have been paid, other ones represent merchandise returned, or they were paid under different invoice numbers. So it's not a perfect world. All I am saying, Senator, is that I think you have to be very careful about the information that you're looking at. There are two sides to a lot of these stories.

Senator **Trible.** Well, where there is inadequate information provided or if there is some technical error that on its face invalidates the request for payment, then obviously the Navy or the Federal Government would then have the opportunity to raise an objection or to bring to the attention of the contractor the nature of the problem, and then that would hold the running of the statutory period.

One thing—and I don't want to belabor the point—but you know, in the case where there are legitimately special needs or special requirements, the contracts in those cases can provide for special payment. And those terms could govern and not the terms of the act. Isn't that the case?

Captain HARSHBARGER. Yes, sir. The contract governs. Prompt pay is applied in the absence of other arrangements for payment.

Senator TRIBLE. Mr. Boucher.

STATEMENT OF LEROY P. BOUCHER, DIRECTOR, OFFICE OF FINANCE, GENERAL SERVICES ADMINISTRATION, ACCOMPANIED BY LINDA F. VANDENBERG, DIRECTOR, FINANCIAL MANAGEMENT DIVISION

Mr. BOUCHER. Yes, sir.

Senator TRIBLE. You are welcome. Are you from Washington, Mr. Boucher?

Mr. BOUCHER. Yes; the Washington office headquarters.

Senator TRIBLE. Glad to have you in Virginia, at least the Hampton Roads area of Virginia. Thank you for being here.

Please, I have your statement, which I have just read, and I would be happy for you to summarize the difficulty of the task and then get on with a response to some of the points that were raised here today and perhaps some good advice and counsel which would be most appreciated.

Mr. BOUCHER. OK. I would like to introduce Linda Vandenberg, who actively participated on OMB's Prompt Payment Task Force and has been instrumental in GSA in implementing our prompt payment policies and procedures.

As you had mentioned, we do pay about 2.3 million invoices a year, totaling about $5 billion. In fiscal year 1985 we did pay 85.5 percent of the invoices on time, 1.7 percent were paid early, and 12.8 percent were paid late.

There were 277,800 invoices that we did pay during the grace period. Late payment penalties of $640,600 were paid on 1 percent of the invoices. That's about 24,600 invoices. We did earn 91.4 percent of the discounts offered, and they totaled $7.7 million.

We implemented the Prompt Payment Act right on October 1, 1982, and at that time we did install an automated process to warehouse payments, flag potential lost discounts and late payment penalties, calculate interest due, and capture the reason for the late payment.

Since that time, we have added two significant enhancements. We now compute the due date based on receipt date of invoice or date goods or services were accepted. And we also automatically determine if the discount offered is cost-effective to the U.S. Government.

Our policies and procedures in GSA have been developed to support the intent of the Prompt Payment Act. We have approximately 400 accounts payable technicians in seven locations, and they all have been given written instructions and have been trained to make all the payments on the due date and to not use the grace period for payment, et cetera.

We monitor the performance of our payables operations through automated reports and through monthly performance statistics submitted by the paying office. The statistics include the percentage of the invoices paid on time, early or late, the discounts earned or lost, the interest penalties paid, and the invoices on hand over 30 days old.

We further check on this reporting through on-site inspections. We have had three major problems at GSA which have prevented us from paying 100 percent of the invoices on time. The first is the incorrect calculation by our technicians in establishing the start date when they enter an invoice into the payment process. The second is not getting the receiving reports and certified invoices within 5 days or even after an initial followup. And the third is delays in my own paying offices.

We have been trying to eliminate the payment office problem through the development and use of a new payables training guide to supplement the accounts payable handbook itself. And the guide does include detailed instructions on how to calculate the correct start date.

The age-old problem of getting receiving reports and certified invoices continues to require constant pressure from us on our program officials. We chase, unfortunately, 80 percent of the receiving reports that we need. The invoices that result from oral procurements——

Senator **Trible**. Explain to me what that means. You chase 80 percent?

Mr. **Boucher**. The system is set up that when a procurement is made, goods are received, they are supposed to automatically do a receiving report and send it to me on their own within 5 days. That rarely ever happens. So on the 15th we call or write them looking for the paperwork.

Senator **Trible**. So with 80 percent of the transactions you've got to go out and affirmatively find that acceptance?

Mr. **Boucher**. I have to make phone calls. I have to write little form letters back, "We still haven't received this." We start that process on the 15th day.

Senator **Trible**. Now, is there a process like that in the Navy, Captain? You really don't chase them, do you?

Captain **Harshbarger**. Not under our present system, no, sir. We record the receipt of an invoice in the paying office.

Senator **Trible**. Right. But what goes on before?

Captain **Harshbarger**. For the up-front activity, it would depend on the particular activity that's involved. They may or may not have an automated system where they could actually track it.

Senator **Trible**. Thank you. Mr. Boucher, we don't mean to interrupt, but as these points arise, I am going to follow them up.

Mr. **Boucher**. OK.

Senator **Trible**. What is that noise? Are we getting ready to blow up here or what's happening?

[Pause.]

Senator TRIBLE. Please, go ahead.

Mr. BOUCHER. OK. Besides having to chase——

Senator TRIBLE. My job is so high risk that I have to sometimes track these things down. [Laughter.]

Mr. BOUCHER. Besides chasing receiving reports, the other problem that we have is just knowing about the oral procurements, which we call certified invoices. In those cases, the procurement is made over the phone. There is no purchase order. There is no receiving report. The invoice is sent directly to the ordering official. And I am not even aware of its existence until it's sent to me for payment.

So in those cases, I don't even have an opportunity to chase them. I may get phone calls from vendors, and I am completely in the dark as to whether or not a procurement has actually taken place.

Senator TRIBLE. All right.

Mr. BOUCHER. So the receiving report and the certified invoices are two major problems with the services.

In summary, I would like to say that we have at GSA supported the intent of the Prompt Payment Act since its inception. You have our complete and continued support in trying to ensure that all payments are made on time. And although we are not perfect, we have been relentless in our efforts to achieve this goal at GSA.

Our success is credible. But we will not be happy until all the vendors realize that GSA is genuinely sincere in making all of our payments in accordance with the Prompt Payment Act.

[The prepared statement of Mr. Boucher follows:]

STATEMENT OF
LEROY P. BOUCHER
DIRECTOR OF FINANCE
GENERAL SERVICES ADMINISTRATION
BEFORE THE
UNITED STATES SENATE
COMMITTEE ON SMALL BUSINESS
ON PUBLIC LAW 97-177
PROMPT PAYMENT ACT OF 1982
DECEMBER 2, 1985

Mr. Chairman, I am LeRoy P. Boucher, Director of Finance for the General Services Administration (GSA). I am accompanied today by Linda Vandenberg who actively participated on the Office of Management and Budget's Prompt Payment Task Force and implementing prompt payment policies and procedures for GSA.

I appreciate being invited to share with you our policies, procedures, performance standards and financial systems used to effect timely payments under the Prompt Payment Act. GSA pays 2.3 million invoices per year totalling approximately $5 billion. For FY 1985, we paid 85.5% of our invoices on time; 1.7% were paid early and 12.8% were paid late. There were 277,800 invoices paid during the grace period. Late payment penalties of $640,663 were paid on 1% of the invoices (24,657). We earned 91.4% of the discounts offered totalling $7.7 million.

We implemented the Prompt Payment Act on October 1, 1982. At that time, we had installed an automated process to warehouse payments, flag the potential lost discounts and late payment penalties, calculate interest due, and capture the reason for late payment. Since FY 1982, we have added two significant enhancements to the automated process:

(a) Compute the due date based on receipt date of invoice or date goods or services were accepted.

(b) Determine if the discount offered is cost effective to the U.S. Government.

Our policies and procedures in GSA have been developed to support the intent of the Prompt Payment Act. We have approximately 400 accounts payable employees in 7 locations. We have given written instructions to these employees to:

(1) Make all payments on the due date.

(2) Not utilize the grace period in calculating the due date.

(3) Automatically pay interest if bills are not paid within 45 days.

(4) Take discounts only when properly earned.

(5) Return improper invoices immediately when discovered.

(6) Make partial payments where contract terms allow.

(7) Not pay interest on progress payments which are for financing purposes.

(8) Pay interest on utility services in accordance with the Prompt Payment Act when tariffs or contracts are silent on the issue.

(9) Followup with program employees if receiving reports are not received within 15 days after receipt of invoices. (Program employees have been instructed to submit receiving reports within 5 days following receipt of goods or services. Contracting officers have been instructed to specify acceptance periods in contracts where necessary.)

We monitor the performance of our payables operation through automated reports and monthly performance statistics submitted by each paying office. The statistics include the percentage of invoices paid on time, early, or late; discounts earned or lost; interest penalties paid; and invoices onhand over 30 days old. We further check on this reporting through onsite regional reviews.

There have been three major problems at GSA which prevented us from paying 100% of our bills on time: (1) Using an incorrect start date when entering the invoice into the payment process; (2) Not getting the receiving reports or certified invoices within five days (or even after an initial followup); and (3) Delays in the paying office.

We have been trying to eliminate the paying office problems through the development and use of a new payables training guide to supplement our Accounts Payable Handbook. The guide includes detailed instruction on how to calculate the correct start date for paying invoices.

The age old problem of getting receiving reports and certified invoices requires constant pressure on our program officials. We "chase" over 80% of the receiving reports. Invoices resulting from oral procurements are mailed directly to the ordering office. We identify these as certified invoices because they are authorized for payment on the invoice without the preparation of a purchase order or receiving report. Unfortunately, we cannot chase these invoices as we are unaware of their existence until we receive them in the paying office. Our efforts to solve these tracking problems have not paid off.

In summary, GSA has supported the intent of the Prompt Payment Act since its inception. You have our complete and continued support in trying to ensure all vendors are paid on time. Although we are not perfect, we have been relentless in our efforts to achieve this goal in GSA. Our success is credible, but we will not be happy until all vendors realize GSA is genuinely sincere in making all payments in accordance with the Prompt Payment Act.

That concludes my testimony, Mr. Chairman. I would be pleased to answer questions at this time.

Senator Trible. All right. Thank you, Mr. Boucher.

Let me ask both of you a question. What about eliminating the grace period, Mr. Boucher, or either overnight or doing it in a phased process over several years?

Mr. BOUCHER. Well, I would prefer a phased-in process. I think payment has been better than what it has in the past. As I have said, we have not been successful in our efforts to get all the paperwork in. I think it would be easier to adopt.

As I stated, we still have 12 percent of our payments that we are making late, and I would have to put more resources into the chasing of the documents if I was going to try to get everything in, which, of course, is our goal.

Senator TRIBLE. Now, is that 12 percent from the time you find it?

Mr. BOUCHER. I don't think that we have a large problem with lost discounts.

Senator TRIBLE. Well, I didn't mean that.

Mr. BOUCHER. Excuse me, the lost invoice.

Senator TRIBLE. You're talking about chasing it. Run it down, let's put it that way.

Mr. BOUCHER. OK. Unlike the Navy, most of our invoices are sent to us, the paying office.

Senator TRIBLE. I see.

Mr. BOUCHER. So normally, we do have them first, and we are aware that there is a payment to be made, and we have to just collect the rest of the payment documentation.

Senator TRIBLE. OK. Now, do your statistics indicate the lapse of time from the time they're received by you?

Mr. BOUCHER. That's correct, from the clock-in date.

Senator TRIBLE. OK. Now let's talk about partial payment. If an agency receives something it can use, should it be paid for?

Captain HARSHBARGER. You have to go to the contract, Senator. If the contract permits partial deliveries and permits partial payments, then the partial payments would be made and they'd be subject to prompt payment.

Senator TRIBLE. All right. Now, explain to me this phenomenon of progress payments. It seems to me that a progress payment is virtually the same thing as the partial payment for a partial delivery, even though I know the Navy and, I guess, GSA take a position otherwise.

Clearly, in the legislative history, there was no intention to distinguish the two. In fact, OMB initially endeavored to do that, and then because of pressure brought from many quarters, OMB in its circular made no distinction. But you all have drawn one.

Explain to me all that, will you?

Captain HARSHBARGER. I can cite what the policy is, Senator. In terms of the basis of why that policy was developed, I am really not qualified.

The policy is—it's an OSD policy, so it applies to all the services—is that financing type payments—which would be progress payments, advance payments, and billings under cost reimbursement type contracts—are not subject to the act.

I think the reasoning behind this—and this is strictly my own assessment—would be that that is a special contractual arrangement bargained for by the parties. And what they're trying to do is reach an equitable agreement in terms of cost of financing. We would provide progress payments or a cost-type contract in a situation where we consider it more advantageous from a cost-of-capital point of view for the Government to finance the work rather than a contractor.

It's a two-edged sword on this. You have to be very careful. If you simply applied the Prompt Payment Act across the board and said this applies to progress payments, you're going to have contractors screaming that, "You've destroyed my cash flow. Either our specific agreement in the contract or our normal working relationship with the paying office was that we would get paid in 5 or 10 days." Slap prompt payment on there, and all of a sudden, he's looking at 30 days.

Senator **Trible**. Why is that?

Captain **Harshbarger**. Because absent anything specific in the contract, if we simply have a contract that says, "We'll give you progress payments monthly"——

Senator **Trible**. Prompt payment doesn't say you have to wait 30 days to pay.

Captain **Harshbarger**. No, but then——

Senator **Trible**. The problem is you folks have interpreted the law as saying, "I've got 45 days to pay." That wasn't the intent of the law.

Captain **Harshbarger**. No, sir, we have not interpreted that we have 45 days other than on the exception basis. Our Treasury requirements say that we pay at day 30, neither early nor late. So they have taken prompt pay and put an upfront requirement on us that says we can't pay any earlier than that.

Mr. **Boucher**. When I am reviewed externally, I am beat upon just as much for paying early as I am for paying late. We are expected, and we do absolutely try, to pay exactly on time.

Senator **Trible**. And when do you pay? 30 days?

Mr. **Boucher**. 30—what we try to achieve is 30 days from receipt for the check date at Treasury. We have to send our disbursement tapes over to Treasury. So I have built into the system, whoever my payment office is, minus 2 or minus 3 days, so that it's out of GSA and can go through the Treasury process and still get the check date right on the 30th day from receipt of the invoice.

Senator **Trible**. You have as many constituencies to answer to as I do, don't you, Mr. Boucher?

Tell me about the dividing of the 30 days from the two 15 day periods requiring acceptance or certification in the first 15, then payment in the second 15. Does that sound reasonable to you, Mr. Boucher?

Mr. **Boucher**. No; from the standpoint that I am not able to even get it in 15 days now. I certainly support payment in 30 days without a 15-day grace period. Payment should be made right on 30 days.

Senator **Trible**. I am reviewing some of the suggestions that were made in earlier testimony. That's what I am looking at here.

[Pause.]

Captain **Harshbarger**. Senator, could I comment on that?

Senator **Trible**. Please.

Captain HARSHBARGER. As I said, the preference is to keep the 15-day grace period to cover the exception basis. If Congress should decide that would be eliminated, then we would prefer to see just a straight 30 days, not an arbitrary split between the two. If you tell us to pay in 30, then we will go figure a way to do that, but we would like to have the flexibility to determine how much of that goes to the acceptance period, how much goes to the paying period. I would keep it as uncomplicated as possible and let us manage the process.

Senator TRIBLE. Good suggestion. What other thoughts do you have, gentlemen and ladies, as to how we can make you better able to pay our bills on time?

Captain HARSHBARGER. Well, Captain Wardrup runs the Fleet Accounting and Disbursing Center here in Norfolk, and he has a couple of comments he would like to make, Senator, on his experience.

Senator TRIBLE. Captain, please.

STATEMENT OF CAPTAIN LEO WARDRUP

Captain WARDRUP. Thank you, Mr. Trible. One of the things we found out with the implementation of the fleet fast pay—which does avoid a part of the receiving problem which a number of the vendors have been talking about because the invoice goes directly to us at FAADCLANT and is based upon certified proof of shipment—is that we have a great deal of difficulty conducting training.

What I am doing is picking up on one of Mr. Hoey's remarks earlier when he said the Navy and, in fact, all of the Government billing and supply activities are anxious to provide our valued suppliers with training on how to do business with the Navy.

When we started fleet fast pay in 1984; we actually commandeered a theater to introduce our valued suppliers to the new procedures for submitting their bills. We did this on two occasions, and each time we had fewer than 100 attendees.

Now, this doesn't mean that our suppliers do not want to be trained. They have to put some priority on their time, too.

Senator TRIBLE. Who are the valued suppliers? Do you have suppliers that you don't value?

Captain. WARDRUP. All our suppliers are valued; some are more valued than others.

Senator TRIBLE. I see.

Captain WARDRUP. Of our valued suppliers; some of them, in fact, do have their invoices returned more frequently than others.

Senator TRIBLE. OK.

[Laughter.]

Captain WARDRUP. For example, last year we paid approximately 400,000 invoices and we had to return 65,000 of those for not being a proper invoice in our terms. And that's a problem to us. It's also a problem for the supplier because that increases the chance that the invoice is going to be lost, either by FAADCLANT, the U.S. mails, or the supplier.

So consequently, we feel that we need to put a great deal more emphasis on training.

Now, Mr. Hoey indicated that he had no problems getting his invoices paid. That's because he understands the procedures. It is difficult to do business with the Government, and I think we all understand it's difficult to do business with the Government. This is the result of our answering to a different set of rules than most business because we are all responsible stewards of the taxpayers' resources, or at least try to be.

But we have problems with suppliers who do not understand the rules. Right now, for example, we have a number of firms who are being reviewed now in the Tidewater area because of having billed the Government for too much money. They have billed insurance charges on fleet fast pay items and they should not have. They have billed shipping charges by using a statistical technique which allocates those charges over a number of different supplies that they've provided. And unfortunately, that procedure is not in accordance with the terms of the contract. So that delays payment on these bills while we're trying to determine the proper amount. Those types of problems do contribute to the backlog that Federal Sales was talking about in their accounts receivable.

We need to stress our training effort in cooperation with the local chambers of commerce and in cooperation with merchants' associations. I think by doing that we can become more responsible both from our point of view and from the supplier point of view.

I had a supplier when I first reported to the Fleet Accounting Disbursing Center who submitted round invoices. He was dealing in specialty type items. And on the back of that invoice was printed, "Man, there ain't nothing square about this outfit." Well, that invoice had a tendency to get lost more frequently than others simply because of its shape.

Well, we educated him, and he said, "Hey, you know, it's nice to say that I am a supplier of specialty items, but we'll give you a rectangular invoice from here on out." And we were, in fact, having trouble keeping track of his invoices. So we fixed that. And there are a number of things which we can fix with our suppliers just through a training effort.

Senator TRIBLE. What did they do? Did they kind of roll away? What happened? [Laughter.]

Captain WARDRUP. Well, they kind of don't fit into the package with everything else. Have you ever tried to put a rubber band around something that's round? That will give you a problem.

Senator TRIBLE. I see. OK.

Captain WARDRUP. Thank you, sir.

Senator TRIBLE. But you got his attention, didn't you.

Any other thoughts, gentlemen? Would you care to add something?

Captain NATOLE. No, sir.

Senator TRIBLE. Mr. Galloway.

Mr. GALLOWAY. No, sir.

Senator TRIBLE. Good.

Ms. Vandenberg.

STATEMENT OF LINDA F. VANDENBERG, DIRECTOR, FINANCIAL MANAGEMENT DIVISION

Ms. VANDENBERG. I agree with Captain Wardrup about communicating with the vendors more and having them deal with us because we have found with vendors whom we have a continued relationship with, if you meet with them and they understand what we look for on an invoice, that it improves the payment progress immensely. They get paid much faster.

Senator TRIBLE. One suggestion that was made earlier, made in the testimony but actually not spoken, was that the Treasury Department should be permitted to pay via funds transfer directly to banks bills of less than $25,000. Apparently they can do that now on bills of $25,000 or more, but that's their first entry into the wire transfer business, I guess. But it was suggested that they should have the right to make smaller payments as well, which would, of course, be a direct benefit to the small businesses.

Any thoughts about that?

Mr. BOUCHER. I don't think that process has ever gotten off the ground with OMB yet.

Ms. VANDENBERG. It has, for anybody who is on a manual payment. But we had suggested to Treasury that they develop some sort of high-speed interface so we wouldn't have to go from an automated system to a manual system. And they have never gotten it off the ground. It's still in the pilot stage. So we're not paying any—well, very few vendors, by wire transfer in manual payments.

Senator TRIBLE. Oh, I see. OK.

All right. Captain.

Captain WARDRUP. From the point of view of the Fleet Accounting and Disbursing Center, we would have no objection to wire transfers. We now pay all of our civilian employees on the east coast via electronic funds transfer. So what you're talking about is really nothing different from that. The only thing we have to do is have a certified bank account that these checks can go through. We submit our civilian pay tapes now directly to the Federal Reserve Bank in Richmond, and that eliminates the vicissitudes of the U.S. mail.

Senator TRIBLE. I find that letters are lost from time to time. That's always at least my defense when I see some aggrieved constituent who wants to know where my letter was to his letter that I received 10 days before. I get only 4,000 or 5,000 letters a week, tough.

You all have how many transactions a day, Captain Harshbarger?

Captain HARSHBARGER. Oh, let's see, I guess 14,000 roughly.

Senator TRIBLE. Mr. Boucher.

Mr. BOUCHER. I think it's around 9,000.

Captain WARDRUP. I pay 30,000 invoices a month, and almost a billion dollars a year to our valued suppliers, sir.

Senator TRIBLE. Well, I can assure you that what we do, if anything, will be constructive, and again our purpose is to underscore a problem which is very real. And even though the great aggregate of numbers suggest that perhaps we're not talking about a huge percentage of transactions, you're talking about thousands or tens of thousands of transactions where there is a delay in payment and that causes a lot of distress in people's lives.

I anticipate that there will be some additional hearings, probably in Washington, where we can hear from some other folks as well and some other agencies. But I am especially pleased to hear from GSA and from the Navy today.

The record will be kept open for two weeks for written statements for the record from the vendor community generally.

I thank you very much for being here, and I wish you well in your difficult task.

The hearing stands adjourned.

[Whereupon, at 1:22 p.m., the committee was adjourned.]

APPENDIX

F.W. PARKER *Secretary-Treasurer Chairman*
T.M. WHITTEMORE *President*
J.H. GREGORY *Vice-President*
R.H. STEPHENSON, III *Vice-President*
D.P. EPPERSON *Vice-President*

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STATEMENT OF

WILLIAM SEELEY

CREDIT AND ACCOUNTS RECEIVABLE MANAGER

TAYLOR-PARKER CO., INC.

NORFOLK, VA

BEFORE THE

SENATE COMMITTEE ON SMALL BUSINESS

"PROMPT PAYMENT ACT"

ON

PUBLIC LAW 97-177

of 1982

DECEMBER 2, 1985

Abrasives and Cutting Tools - Saws - Hand & Power Tools - Light Machine Tools - Hand Precision Tools - Pipe & Tubing
Valves, Fittings, Seals - Air & Fluid Power Products - Mechanical Power Transmission - Materials Handling Equipment
Steel Storage Products - Industrial Rubber & Plastics - Metals - Fasteners - Electric, Electronic Equipment
Safety Supplies - Contractor's M.R.O. Supplies & Equipment
"SERVING INDUSTRY SINCE 1865"

PROMPT PAYMENT ACT OF 1982

PUBLIC LAW 97-177

Mr. Chairman and members of the Committee, the opportunity to offer comments related to the Prompt Payment Act is appreciated.

Although Capt. Harshbarger and his panel quoted dollar amounts and interest paid, there are still too many instances in which invoices are paid beyond terms and no interest is paid.

We enclose payment list of Norfolk Naval Shipyard, Fleet Accounting and Disbursing Center, Naval Air Rework Facility, COMNAVSPECWARGRU TWO, and the USS AMERICA. All of these invoices were paid beyond the 45 day point. Interest was paid on none of them.

Mr. Chairman, you had stated at the December hearing the possibility of a Fifteen Day Acceptance Allowance. However, if the problem on a specific contract is a Navy problem and the invoices are sent back to the vendor, until they can get them resolved with the Navy, the Fifteen Day Acceptance would be of little use. Here are some examples:

Purchase Order V0031A-5179-2596, issued by COMNAVSPECWARGRU TWO , Little Creek. Please note this contract is Fleet Fast Pay. All the material on this order was delivered on August 26, 1985 and billed on August 27, 1985. However, the first item on the purchase order was extended incorrectly by COMNAVSPECWARGRU TWO, which threw the total off by $18.00. Anyone looking at the contract could see that it was a typographical error and the numbers had been transposed. Fleet Accounting and Disbursing Center rejected our invoices and sent them back to us. We have to get the modification on the contract from the activity who placed the order and resubmit it to Fleet Accounting and Disbursing. Although we have been trying on this particular contract since August, we still don't have the modification, and when we do receive and submit to Fleet Accounting and Disbursing, they will then start the clock. COMFAD, after the hearing on December, confirmed the fact that the clock does not start until we have the modification.

Purchase Order V52235-5175-2606, issued by USS KING, DDG 41, also Fleet Fast Pay. This material was shipped on July 23, 1985 and invoiced on August 9, 1985. Again, it was extended incorrectly, by the USS KING, and when we asked the ship for a modification, they sent us the purchase order "as is" stating that we had lost the original. To date we don't have the modification, and we can't send it in and start the clock until we do.

Purchase Order V8808-5192, Call C440 and C441 issued by USS VULCAN, AR5, also Fleet Fast Pay. The USS VULCAN listed our address incorrectly on the purchase order. For this reason it was rejected. We have been writing since August and still don't have the change order. Again the clock has not started.

Purchase Order N0018185C0097 issued by Norfolk Naval Shipyard. Material on this purchase order was delivered in June. However, it should have been inspected here at our facility and was not. In July, we agreed to forfeit $200.00 to have it inspected at the shipyard. The modification was issued on July 26. The inspection papers from the shipyard were received on December 3, 1985, showing that the material was inspected on November 20, 1985. Now, we can send this $12,000.00 invoice to Philadelphia for payment and when they receive it the clock can start. What happened in the period August-November?

Purchase Order N0010984M2967 issued by Naval Weapons Station. This material was delivered in October, 1984 and billed on October 18, 1984. On March 4, 1985, on government check no. 07150137 dated February 26, 1985, Naval Regional Finance Center, DC paid this invoice, 131 days from date of invoice and took a 2%, 20 day discount. In trying to resolve this, I called 26 different phone numbers. It might be of interest to you that the Naval Regional Finance Center, Washington, D.C. is not listed in the Washington phone book or with information. All these phone calls were to no avail. The Finance Center's final answer was that it was a problem that would have to be taken up with the Naval Weapons Station in Yorktown, as they placed the order. The Naval Weapons Station final answer was that it would have to be taken up with the Finance Center as they paid the bill. No one wanted to take the responsibility or the initiative to get it cleared up.

Back up documentation available on request.

These examples are by no means the norm, but they are also not the only instances. There are also any number of instances where we make the mistake or the invoice never arrives at destination. But until we inquire why payment hasn't been made, we don't know there is a problem. In these instances the Fifteen Day Acceptance Rule would alleviate the problem.

Thank you for inviting our comments. Your interest is critical to the survival of small business in federal purchasing.

Respectfully submitted,

Bill Seeley
Credit and Accounts Receivable Manager

BS/lf

Attachment

Government Payments
Terms Net 30 days

Invoice #	Invoice Date	Invoice Amt.	Pmt. Date	Days
#28537100 Rec Off Bldg 11 NNSY				
388159	11/23/84	1,198.44	2/21/85	90
304250	2/28/84	60.00	2/15/85	358
369019	9/24/84	213.54	2/06/85	136
379472	10/25/84	111.72	1/23/85	91
393270	12/11/84	2,079.00	2/15/85	65
412146	2/19/85	1,906.38	10/23/85	244
414959	2/28/85	4,253.25	5/03/85	65
415063	2/28/85	1,197.00	7/09/85	131
428349	4/11/85	878.30	8/26/85	135
446321	6/10/85	4,590.00	11/19/85	159
448542	6/17/85	15,952.29	11/22/85	155
450292	6/21/85	29.00	9/10/85	79
473557	9/16/85	815.50	11/08/85	52
473640	9/16/85	1,812.00	11/18/85	62
#28547000 FAADCLANT NSC				
373628	10/08/84	502.80	3/04/85	149
375444	10/12/84	56.23	1/04/85	85
375499	10/12/84	155.20	1/09/85	90
375852	10/15/84	225.00	12/26/84	71
380532	10/29/84	147.00	1/29/85	93
380977	10/30/84	245.05	1/04/85	67
382277	11/01/84	98.80	2/20/85	111
386621	11/19/84	3,045.70	1/23/85	66
387574	11/21/84	992.00	1/23/85	64
404140	1/23/85	37.80	3/26/85	63
406972	1/31/85	172.72	4/02/85	61
408394	2/06/85	69.00	4/08/85	62
408395	2/06/85	1,094.35	4/08/85	62
423577	3/27/85	140.40	5/30/85	63
424761	3/29/85	373.23	7/01/85	92
424762	3/29/85	437.25	7/01/85	92
434343	4/30/85	207.58	7/09/85	69
446762	6/11/85	615.00	8/13/85	62
447888	6/14/85	40.25	9/05/85	81
466477	8/19/85	72.20	11/12/85	83
467136	8/21/85	2,480.00	11/12/85	81
468430	8/26/85	1,945.81	11/26/85	90
#28573400 Naval Air Rework Facility				
344207	7/05/84	155.90	7/26/85	387
351417	7/31/84	10.66	7/15/85	350
373460	10/08/84	291.60	1/29/85	114
382300	11/01/84	120.00	1/09/85	70
382303	11/01/84	11.80	1/09/85	70

Invoice #	Invoice Date	Invoice Amt.	Pmt. Date	Days
#28573400 NARF --continued				
383510	11/08/84	285.12	1/09/85	63
383517	11/08/84	17.90	1/09/85	63
391561	12/05/84	122.40	2/04/85	60
391936	12/06/84	66.00	2/06/85	61
392385	12/08/84	2,996.55	2/06/85	60
407700	2/04/85	150.50	4/05/85	61
407701	2/04/85	105.00	4/05/85	61
408744	2/07/85	400.00	4/08/85	61
409486	2/11/85	144.84	8/13/85	182
412175	2/19/85	321.50	8/13/85	174
425471	4/01/85	692.40	6/25/85	84
425472	4/01/85	111.96	6/25/85	84
425502	4/01/85	1,615.00	6/25/85	84
425517	4/01/85	99.00	6/25/85	84
425722	4/02/85	102.52	6/25/85	83
425726	4/02/85	936.00	6/25/85	83
426074	4/03/85	126.96	6/25/85	82
426433	4/04/85	141.36	6/25/85	81
427917	4/10/85	83.99	6/25/85	75
427927	4/10/85	175.00	6/25/85	75
427930	4/10/85	11.60	6/25/85	75
427954	4/10/85	305.00	6/25/85	75
428345	4/11/85	1,397.52	8/30/85	139
428767	4/12/85	72.50	6/25/85	73
429264	4/15/85	362.80	6/25/85	70
429827	4/16/85	200.14	6/25/85	69
430418	4/18/85	8,558.16	6/25/85	67
430431	4/18/85	516.00	6/25/85	67
431050	4/22/85	546.30	10/14/85	172
431693	4/23/85	596.94	6/25/85	62
432072	4/24/85	109.00	6/25/85	61
432084	4/24/85	1,200.00	6/25/85	61
432616	4/25/85	7.24	6/25/85	60
432623	4/25/85	2,884.50	6/25/85	60
433003	4/26/85	2,628.30	6/25/85	59
433065	4/26/85	405.18	6/25/85	59
433493	4/29/85	33.00	6/25/85	56
433506	4/29/85	271.80	6/25/85	56
434265	4/30/85	129.70	6/25/85	55
435602	5/03/85	1,686.76	7/09/85	66
435928	5/06/85	830.84	7/09/85	63
436072	5/06/85	27.50	7/09/85	63
436379	5/07/85	197.45	7/09/85	62
437502	5/10/85	702.00	7/09/85	59
437530	5/10/85	1,201.56	7/09/85	59
438825	5/15/85	333.80	7/09/85	54
438849	5/15/85	1,500.00	7/09/85	54
438855	5/15/85	76.62	7/09/85	54
438859	5/15/85	4,715.16	7/09/85	54
439384	5/16/85	351.38	7/09/85	53
439702	5/17/85	603.45	7/09/85	52
444704	6/03/85	216.00	8/13/85	70
444979	6/04/85	6,681.48	8/13/85	69
445629	6/06/85	1,710.00	8/13/85	67

Invoice #	Invoice Date	Invoice Amt.	Pmt. Date	Days
#28573400 NARF --continued				
446803	6/11/85	26.28	8/13/85	62
449258	6/19/85	188.40	8/13/85	54
449476	6/19/85	7,373.40	8/13/85	54
450214	6/21/85	46.24	8/13/85	52
450295	6/21/85	8,094.54	8/13/85	52
453253	7/01/85	332.00	9/10/85	69
456087	7/15/85	1,760.00	9/10/85	55
456528	7/16/85	387.85	9/10/85	54
457663	7/18/85	713.28	9/10/85	52
462423	8/02/85	114.12	10/14/85	72
463145	8/06/85	79.28	10/14/85	68
463372	8/06/85	768.00	10/14/85	68
464358	8/09/85	226.80	10/14/85	65
465077	8/13/85	568.95	10/14/85	61
465441	8/14/85	3,224.25	10/14/85	60
465464	8/14/85	1,578.97	10/14/85	60
466171	8/16/85	182.40	10/14/85	58
466503	8/19/85	279.60	10/14/85	55
466823	8/20/85	1,906.56	10/14/85	54
466960	8/20/85	32.20	10/14/85	54
467011	8/20/85	620.90	11/04/85	74
467582	8/22/85	52.50	10/14/85	52
467846	8/23/85	202.98	10/14/85	51
467856	8/23/85	788.52	10/14/85	51
467878	8/23/85	21.74	10/14/85	51
471155	9/05/85	48.72	11/07/85	62
#28663600 FAADCLANT-COMNAVSPECWARGRU TWO				
396301	12/20/84	101.00	3/19/85	90
396873	12/26/84	582.16	3/19/85	84
396874	12/26/84	1,079.10	3/19/85	84
397987	12/28/84	447.84	3/19/85	82
442496	5/28/85	51.96	9/25/85	117
#28698800 FAADCLANT USS America CV66				
268007	10/27/83	721.35	10/07/85	708
268641	10/28/83	680.10	10/15/85	715
288945	1/10/84	325.48	10/15/85	647
302427	2/22/84	166.40	10/07/85	596
309899	3/16/84	247.17	10/07/85	571
314521	3/30/84	52.56	10/07/85	557
365887	9/13/84	2,230.00	10/07/85	388
396462	12/20/84	294.24	4/30/85	131
402606	1/17/85	39.57	3/26/85	69
435647	5/03/85	41.30	9/05/85	122
435648	5/03/85	509.06	9/05/85	122
437523	5/10/85	178.75	9/05/85	115

PROMPT PAYMENT ON FEDERAL CONSTRUCTION

Statement of

AMERICAN SUBCONTRACTORS ASSOCIATION

and

ASSOCIATED SPECIALTY CONTRACTORS

to the

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

December 3, 1985

American Subcontractors Association
1004 Duke Street
Alexandria, Virginia 22314
(703) 684-3450

Associated Specialty Contractors
7315 Wisconsin Avenue
Bethesda, Maryland 20814
(301) 657-3110

Prompt Payment on Federal Construction

The American Subcontractors Association (ASA) is a national trade association with nearly 6,000 firms representing all major construction trades in 55 chapters. In addition to its individual company members, ASA represents 16 other specialty trade associations with members of their own.

The Associated Specialty Contractors (ASC) is an umbrella organization of eight national organizations of construction specialty contractors. The member assocations of ASC have a combined membership of over 25,000 firms employing 1.5 million construction workers.

In a recent survey of subcontractors, ASA found that the most important issue facing construction subcontractors today is getting paid in a timely manner for work performed. Although concern about the nation's economy and the keen competition in the construction industry ranked high, the overwhelming majority of subcontractors participating in the survey reported that the inability to get paid in a timely manner is their most serious problem.

For a big business, a delay in payment may cause some consternation in the bookkeeping department, but business would go on as usual. For a small firm, the size of most construction subcontractors, however, one payment might mean the difference between survival and disaster.

The Prompt Payment Act

In 1982, Congress passed and President Reagan signed the federal Prompt Payment Act. This Act requires federal agencies to pay all bills within 30 days. Agencies failing to pay promptly must automatically pay interest penalties.

Since the Prompt Payment Act took effect in October 1982, the federal government's payment practices have improved dramatically. During fiscal years 1983 and 1984, federal agencies paid over 99 percent of their bills on time, compared to 61 percent on time before the Prompt Payment Act.

Prior to passage of the Prompt Payment Act, ASC and ASA received numerous calls each week from members complaining about slow pay or lack of pay by the federal government and asking for assistance in receiving payment. Since passage of the Act, the number of these calls has been reduced substantially. And, often when we do receive calls about lack of pay or slow pay, other problems or issues are involved or the Act does not apply.

However, like that for most new laws, the implementation of the Prompt Payment Act has not been perfect. Among the problems that subcontractors have faced are:

--failure of federal agencies to pay their bills on time;

--failure of agencies automatically to pay interest owed on late payments; and

--failure of agencies to notify contractors when their invoices are incorrect.

But perhaps, the most serious problems faced by construction subcontractors are:

--the claim by federal agencies that the Prompt Payment Act does not apply to construction progress payments;

--the withholding of retainage; and

--the failure of prime contractors with the government to pass the benefits of the Prompt Payment Act on to their subcontractors.

Construction Progress Payments

Both the United States Senate and the House of Representatives clearly contemplated and intended that the prompt payment and interest requirements of the Prompt Payment Act would apply to progress payments.

There were numerous references during House committee hearings, and in the reports submitted to the committee regarding this bill, to the need for such legislation to encompass progress payments as well as final payments in government contract situations. See "Hearings before a Subcommittee of the Committee on Government Operations, House of Representatives" regarding H.R.4709 (the bill that eventually evolved into the "Prompt Payment Act", Public Law 97-177 (1982)) e.g., pages 35, 151, 328-331, 336-338, etc. (United States Government Printing Office Publication 90-2470 (1982)). The operative provision is now set forth in 31 U.S.C. Sec. 3902, regarding "interest penalties" which provides in sub-part (a) that:

> "Under regulations prescribed under Sec. 3903 of this title, the head of an agency acquiring property or service from a business concern, who does not pay the concern for each complete delivered item of property or service by the required payment date, shall pay an interest penalty to the concern on the amount of the payment due . . . ." (emphasis added)

The only language that might be construed to suggest that the Prompt Payment Act only applies to final and not interim payments would be the underscored portion of the preceding quote referring to "complete delivered item of property or service." However, the rest of the statute clearly refutes such a limited construction.

In pertinent parts of the related 31 U.S.C. Sec. 3903, Congress directed that:

> "The Director of the Office of Management and Budget shall prescribe regulations to carry out Sec. 3902 of this title. The regulation shall:
>
> (1) Provide that the required payment date is:
>
> (A) the date payment is due under the contract for the item of property or service; or

> (B) 30 days after a proper invoice for the amount is received if a specific payment date is not established by contract;
>
> . . .
>
> (4) Provide separate required dates for a contract under which property or services provided in a series of partial execution or deliveries to the extent the contract provides for separate payments for partial execution or delivery; . . . ."
>
> (emphasis added)

That the language in Sec. 3903(4) quoted above was intended to encompass "progress payments" is clearly indicated by the House and Senate Committee reports tendered in support of the bill prior to its passage. The House of Representatives' report noted regarding this specific portion of the Act that:

> "To the extent that contracts involving a series of partial payments or executions provides for separate payments, OMB's regulations shall specify separate dates when payment is due. This provision is intended to cover situations where the government and a business concern contract for separate payment for partial deliveries or executions; for example, progress payments."
>
> (emphasis added).
>
> H. Rept. 97-461, p.14.

Similarly, the Senate Committee report noted that the same portion of the Act:

> "[D]irects the Administrator of the Office of Federal Procurement Policy to promulgate regulations concerning contracts which provide for separate payments for partial delivery or execution of property or services, requiring (1) due dates for each separate payment and (2) the payment of interest on any amount which is not paid by the due date. This provision is intended only to reach circumstances where the government and a contractor contract for separate payment for partial deliveries or executions; for example progress payments. It is not intended to require a partial payment or payment of interest where a contractor simply fails to meet contractual obligations and delivers only part of a contract order." (emphasis added)
>
> S. Rept. 97-302, pp. 7-8.

This legislative history makes an extremely clear and convincing argument that the statute does include progress payments and all agencies must give that intention effect in their transactions with contractors.

Retainage

In order for the Prompt Payment Act to be truly effective for the construction industry, it must also legislatively mandate current federal policy on retainage.

For many years, a percentage of the funds owed and payable as progress payments to contractors was withheld from those payments as an "incentive" for the contractor to complete his work. This percentage sometimes went as high as 20 percent, though in recent years a ten percent retainage was more likely.

The practice meant that a contractor received only 90 percent of the funds due him on progress payments until the entire job had been completed - not just his portion of the job. This practice was, in fact, an institutionalized form of seriously delayed payment which caused increasing pressure on contractors and higher costs to the customer. In an era of ever rising interest rates, retainage had become a costly and fruitless tradition.

After a strong interest in eliminating the practice of withholding retainage was shown by the Senate, the current Administration adopted a policy for federal construction whereby retainages are to be withheld from progress payments to prime contractors only under special circumstances which specifically warrant such extraordinary protective measures.

This policy now needs to be embodied in law to ensure its ongoing presence in federal contracting procedures.

Prompt Pay for Subcontractors

As noted above, since the Prompt Payment Act took effect in October 1982, the federal government's payment practices have improved dramatically. Despite the example set by the federal government, many prime contractors have not followed suit in their dealings with subcontractors. ASA and ASC frequently receive reports from subcontractors who are not being paid for work they have completed on federal construction projects.

Fifty years ago the general contractor engaged to construct a building performed most of the work with his own forces, hiring craftsmen and tradesmen directly on his payroll for specialized building tasks. A system of payment grew naturally out of this arrangement: the owner paid the general contractor the amount due and the disbursement of funds to other parties, if any, was then the general contractor's responsibility.

Today, most general contractors perform only a small fraction of actual construction. On federal government projects, that percentage is usually less than 20 percent. Instead, work is subcontracted to firms that specialize in particular fields.

Now that subcontractors provide by far the majority of onsite labor and materials, the traditional payment system is creating cash flow problems for those two and three steps down the payment process as those higher on the ladder divert funds for other business or personal uses thus delaying payment to those who actually perform the work. The net result is that construction subcontractors and suppliers are often paid at a slower rate than the rate at which the owner advances funds for a project.

Subcontractors' payment problems are perhaps more severe on federal construction projects than on private or other public work because of the exaggerated extent to which some agencies carry the principle of ignoring the existence of subcontractors in the absence of privity of contract.

Private owners are often quite mindful of the need for payment of subcontractors to assure performance and avoid liens. In addition, thirteen states have laws which designate moneys paid to prime contractors as trust funds and make it a criminal offense for a prime contractor to use the portions of these funds owed to subcontractors for any purpose other than payment of the subcontractors.

Some states that received reports that subcontractors were not being paid in a timely manner after enactment of their state prompt payment laws, passed amendments to their prompt pay laws requiring prime contractors on public work to pay promptly their subcontractors or face interest penalties similar to those faced by the state if it fails to pay its bills (See Attachment A).

ASC and ASA believe that the federal government should follow the lead established by these states and enact similar legislation. We have drafted such a bill for your consideration (See Attachment B).

This bill, entitled "Prompt Payment for Government Subcontractors Act," would require that a prime contractor on federal work pay his subcontractors within seven days of his receipt of payment from the federal government or face interest penalties identical to those faced by the federal government under the Prompt Payment Act. It would require the prime contractor to make adjustments, if any, in the subcontractor's pay request at the time of certification.

Although at first this bill may be regarded as an intervention into a contractual relationship between other parties, it should be recognized that the prime contractor is only a conduit for transmittal of payments from the federal government to those who have actually performed the work or supplied the material. The money belongs to the government until it is paid to the prime contractor, and thereafter it belongs to the subcontractors and suppliers, except for that portion earned specifically by the prime contractor. The federal government has every right to be concerned that such payments are paid.

ASA and ASC believe that seven days is sufficient time for a prime contractor to pay his subcontractors. After all, the only thing the prime contractor has to do is write a check. Everything else was accomplished prior to incorporating the subcontractor's billing into the contractor's billing to the federal government.

If full payment has not been earned by a subcontractor because of poor performance, the prime contractor should not have falsely certified to the completion of such work in his billing to the government. Thus, the government, not the prime contractor, should be holding all unearned payments until they have been earned.

Seven days is the maximum standard for subcontractor payment used in the private sector. The American Institute of Architects (AIA) Document A401, Standard Form of Agreement Between Contractor and Subcontractor (1978 edition), provides for such payments to be made within three days after receipt of payment by the prime contractor. The Associated General Contractors of America (AGC) Document No. 600, Subcontract for Building Construction (August 1984), provides for such payments to subcontractors within seven days after receipt of payment by the prime contractor. So does a recently adopted joint policy statement of AGC, ASA, and ASC (See Attachment C).

Summary

Although the federal government's payment practices have improved dramatically since implementation of the Prompt Payment Act in October 1982, ASC and ASA continue to receive reports of problems. These include:

--failure of federal agencies to pay their bills promptly;

--failure of agencies automatically to pay interest owed when bills are paid late; and

--failure of agencies to notify contractors when their invoices are incorrect.

ASA and ASC are particularly concerned about the claim by federal agencies that the Prompt Payment Act does not apply to construction progress payments. We urge the Committee to pursue this issue in future hearings and, if necessary, clarify the statute through additional statutory language.

ASC and ASA further urge this Committee to once again consider legislation to embody into law the federal government's practice concerning retainage in construction in order to ensure its ongoing presence in federal contracting procedures.

Finally, ASA and ASC urge you to consider legislation that would require a prime contractor on federal work to pay its subcontractors in a timely manner or face penalties identical to those faced by the federal government under the Prompt Payment Act.

ASC and ASA ask Congress to seriously consider and take appropriate action on these issues as quickly as possible. Our associations' members and resources are available to help in whatever way is necessary to expedite such legislation.

Attachment A

States with Prompt Pay for Subcontractors

Florida - requires prime contractors on public work to pay subcontractors within seven working days after the prime contractor receives payment. Subcontractors may collect .5 percent interest per day up to 15 percent.

Hawaii - requires prime contractors on public work to pay subcontractors within ten days after the prime contractor receives payment. No interest penalty is specified.

Louisiana - requires prime contractors on both public and private work to pay subcontractors within 21 days after the prime contractor receives payment. Subcontractors may collect .5 percent interest per day up to 15 percent.

Mississippi - requires prime contractors on both public and private work to pay subcontractors within 21 days after the prime contractor receives payment. Subcontractors may collect .5 percent interest per day up to 15 percent.

Nevada - requires prime contractors on private work to pay subcontractors within 15 days after the prime contractor receives payment. Subcontractors may collect interest equivalent to the prime rate plus two percent.

North Carolina - requires prime contractors on public work to pay subcontractors no more than seven days after the prime contractor receives payment. Subcontractors may collect interest penalties of one percent per month.

North Dakota - requires prime contractors on public work to pay subcontractors no more than 30 days after the prime receives payment. Subcontractors may collect interest penalties of 1.75 percent per month.

South Dakota -	requires prime contractors on public work to pay subcontractors within seven days after the prime receives payment. Subcontractors may collect interest penalties of one percent per month.
Tennessee -	requires prime contractors on public work to pay subcontractors within 30 days after the prime contractor receives payment. Subcontractors may collect interest penalties of one percent per month.
Texas -	requires prime contractors on public work to pay subcontractors within ten calendar days after the prime contractor receives payment. Subcontractors may collect interest penalties of one percent per month.
Utah -	requires prime contractors on both public and private work to pay subcontractors within 30 days after the prime contractor receives payment. On public work, subcontractors may collect interest penalties of 15.5 percent after 45 days. On private work, subcontractors may collect interest penalties of 18 percent after 45 days.

99th Congress
2nd Session

Attachment B

A BILL

To require prime contractors to pay interest on overdue payments to their subcontractors on contracts with federal agencies.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Prompt Payment of Government Subcontractors Act."

INTEREST PENALTIES ON LATE PAYMENTS

SEC. 2(a). Any prime contractor who acquires property or services from a subcontractor for the purpose of fulfilling a contract with a Federal agency but who does not make payment to the subcontractor within seven days of receipt of payment from the agency shall pay an interest penalty to such subcontractor in acccordance with this section on the amount of the payment which is due.

(b) Interest penalties on amounts due to a subcontractor under this Act shall be paid to the subcontractor for the period beginning on the day after the required payment date and ending on the date on which payment of the amount is made.

(c) Interest shall be computed at the rate determined by the Secretary of the Treasury for interest payments under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611). The Secretary of the Treasury shall publish each such rate in the Federal Register.

(d) Any amount of an interest penalty which remains unpaid at the end of any thirty day period shall be added to the principle amount of the debt and thereafter interest penalties shall accrue on such added amount.

(e) Nothing in this section shall prevent a prime contractor, at the time of application for payment and certification to the cognizant Federal agency, from withholding

(i) payment to the subcontractor for any of the following reasons attributable to the subcontractor's performance:

(1) unsatisfactory job progress;

(2) defective work;

(3) disputed work;

(4) third party claims, filed or reasonably expected to be filed;

(5) failure to make timely payments for labor, equipment or materials;

(6) damages suffered by the prime or another subcontractor;

(7) reasonable expectation that the subcontractor's work cannot be completed for the unpaid balance of the contract price as from time to time amended; or

(ii) a reasonable amount of retainage, provided, however, that in no event shall the percentage of retainage withheld from the subcontractor exceed the percentage of retainage withheld by the Federal agency from the prime contractor.

(f) In no case shall an obligation to pay such interest penalties be construed to be an obligation of the United States.

(g) "Subcontractor," as used herein, means any supplier, vendor or firm that furnishes supplies or services to or for a prime contractor to the federal government.

EFFECTIVE DATE

SEC. 3. This Act applies to the acquisition of property or services on or after the beginning of the first calendar quarter which begins more than ninety days after the date of enactment of this Act.

Attachment C

Joint Policy Statement

JPS-1
(Revised)

PROMPT PAYMENT

Undue delays by owner, architects/engineers, general contractors, subcontractors, and sub-subcontractors in processing amounts due to general contractors, subcontractors, sub-subcontractors, and suppliers, or in making timely payments of these amounts, impose hardships and improper financing burdens on the contractors and suppliers and amount to extensions of credit by the contractors and suppliers to their respective higher tiers.

Accordingly, it is the policy of Associated General Contractors and the American Subcontractors Association and the Associated Specialty Contractors that all payments must be made on all contracts promptly. This should include payment for all labor, services, and materials stored on the job site or other approved storage sites as of the closing date of requisitions. This applies to both progress payments and final payments.

All local chapters of the Associated General Contractors, the American Subcontractors Association and the Associated Specialty Contractors are urged to make efforts, singly or cooperatively where possible to persuade all owners, architects/engineers, general contractors, subcontractors and sub-subcontractors to adopt and adhere to this policy in the conduct of their business.

The following schedule of billings, certificates and payments by various participants in the construction process is recommended.

The schedule assumes normal trade contract terms allowing monthly progress payments for work performed and materials suitably stored through the end of the month. This schedule does not refer to payments to suppliers who are not subcontractors.

It is important to note that along the sequence of events, any recipient of a payment request who takes exception to an item of billing should immediately contact the initiating party by telephone and attempt to resolve the matter. Failing resolution, the party taking exception should notify the other party in writing the reasons for the action.

Day of Calendar Month	**Event**
20th	Sub-subcontractors request payment from subcontractors.
25th	Subcontractors request payment from contractor, incorporating the sub-subcontractor's request in the billing.
1st	Contractor submits to the owner's representative an itemized application for payment with the necessary supporting data, covering the monthly progress of the entire contract being performed.
5th	The owner's representative issues the certificate for payment to the owner for the amount requested.
10th or sooner	The owner makes payment to the contractor for the amount certified by the owner's representative.
No More Than 7 Days After Receipt	The contractor pays each subcontractor the amount received from the owner on his account promptly but not later than seven days after receipt.
No More Than 7 Days After Receipt	Each subcontractor pays each sub-subcontractor the amount received from the contractor on his account promptly but not later than seven days after receipt.

The schedule should be adjusted by making appropriate billings and payments on the last working day prior to any listed Saturday, Sunday or holiday. It is also recommended that collection efforts be commenced immediately following the day any payment due was not paid.

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